TK NEW ENERGY

Tonking New Energy Group Holdings Limited

同景新能源集團控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8326)

2017 ANNUAL REPORT

* For identification purpose only

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Wu Jian Nong *(Chairman and Chief Executive Officer)*
Ms. Shen Meng Hong
Mr. Xu Shui Sheng
Mr. Zhou Jian Ming (appointed on 18 October 2016)
Mr. Wu Kai Char (resigned on 18 October 2016)
Ms. Wong Wai Ling (resigned on 18 October 2016)

Independent Non-Executive Directors

Ms. Wang Xiaoxiong
Mr. Zhou Yuan (appointed on 13 March 2017)
Mr. Yuan Jiangang (appointed on 26 May 2017)
Mr. Pao Ping Wing (resigned on 13 March 2017)
Ms. Au Man Yi (resigned on 26 May 2017)

Company Secretary

Mr. Cheng Man For

Compliance Officer

Ms. Shen Meng Hong

Authorised Representatives

Ms. Shen Meng Hong
Mr. Cheng Man For

Audit Committee

Mr. Yuan Jiangang *(Chairman)*
Ms. Wang Xiaoxiong
Mr. Zhou Yuan

Remuneration Committee

Mr. Zhou Yuan *(Chairman)*
Mr. Yuan Jiangang
Ms. Wang Xiaoxiong

Nomination Committee

Ms. Wang Xiaoxiong *(Chairman)*
Ms. Shen Meng Hong
Mr. Zhou Yuan

Compliance Committee

Ms. Shen Meng Hong *(Chairman)*
Ms. Wang Xiaoxiong
Mr. Zhou Yuan

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Unit No. 1002, 10th Floor
Shui On Centre
6-8 Harbour Road
Hong Kong

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Merchants Bank Company Limited

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Legal Adviser

As to Hong Kong law:
Li & Partners

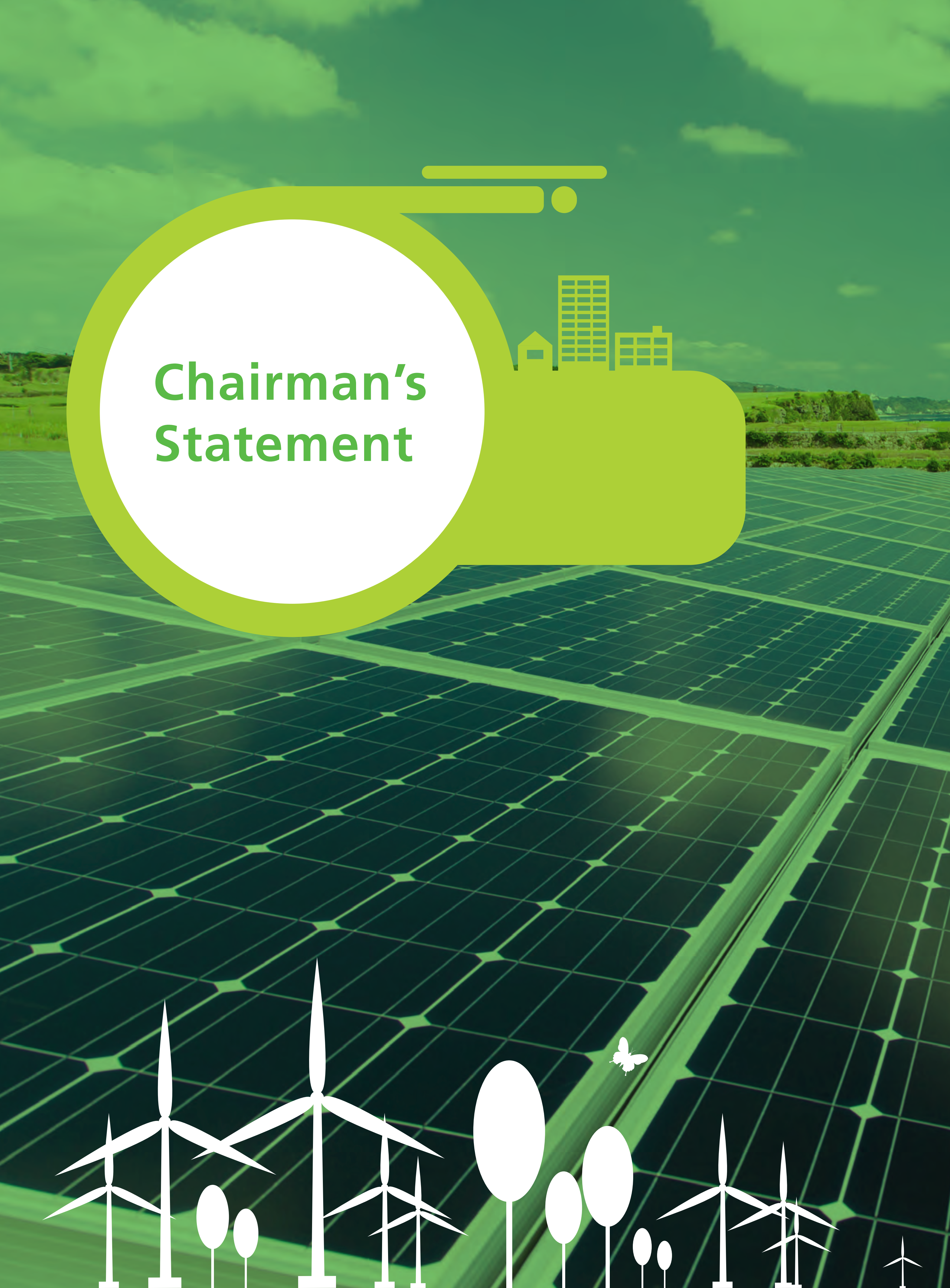
Stock Code

8326

Company's Website

www.tonkinggroup.com.hk

Chairman’s Statement



Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of Tonking New Energy Group Holdings Limited (the "Company", together with its subsidiaries the "Group") for the year ended 31 March 2017.

Although the food and beverages business has remained a major revenue source of the Group, its performance has been affected by the weakened Hong Kong economic condition in the reporting period. In order to be in line with the Group's global development strategy, the Group has commenced a new segment of renewable energy business in the PRC to seize the golden opportunity created by the growing demand of renewable energy in China in the fourth quarter of 2015.

RENEWABLE ENERGY BUSINESS

The principal activities of renewable energy business segment involve provision of a one-stop value added solution for photovoltaic power stations (EPC, maintenance and support, and operation), sales of the patented photovoltaic tracking systems and investment in building its own photovoltaic power stations. In order to reflect the Company's focus on its renewable energy business, the Group has changed its name from "JC Group Holdings Limited" to "Tonking New Energy Group Holdings Limited" in May 2016. The Group strived to develop the renewable energy business into a pillar business of the Group, and vigorous development has been achieved and positive contribution has been made to the revenue of the Group by this business segment since its commencement.

In November 2015, the Group established a wholly-owned subsidiary in Shanghai, 同景新能源科技(上海)有限公司 (transliterated as Tonking New Energy Technology (Shanghai) Limited). Tonking New Energy Technology (Shanghai) Limited has established twelve wholly-owned subsidiaries and one non-wholly-owned subsidiary within the period from November 2015 to March 2017 to facilitate the Group's business operation in the area of renewable energy business. Since its establishment, the Group has through it, engaged in several project agreements in the PRC with independent third parties, including solar project, sales and installation order of patented photovoltaic tracking system, contract order of permitted grid connection of agricultural photovoltaic, fishery photovoltaic, forestal photovoltaic power station and engineering, procurement and construction of a photovoltaic power station and desert agriculture project.

Chairman's Statement (continued)

FOOD AND BEVERAGE BUSINESS

In 2016, faced with the downward pressure of the global economy, the tertiary industry in Hong Kong touched its trough and such downturn had also affected our food and beverages business. In view of the challenging and uncertain economic conditions, the Group adopted a prudent and flexible management model, actively adjusted its structure and allocated more resources on those potential profit making outlets to create value for our shareholders. The Group continued to adopt its existing diversification strategy by operating fine-dining and casual dining restaurants as well as restaurants in middle-class market to broaden the stream of customers.

Throughout the reporting period, food and beverage industry faced a lot of challenges including high inflation pressure, shortage of labor and volatile political atmosphere. The modest economic growth also affected the consumer sentiment. Nonetheless, we continued to explore and develop our business into different styles and markets and broadened our customer stream.

CONCLUSION

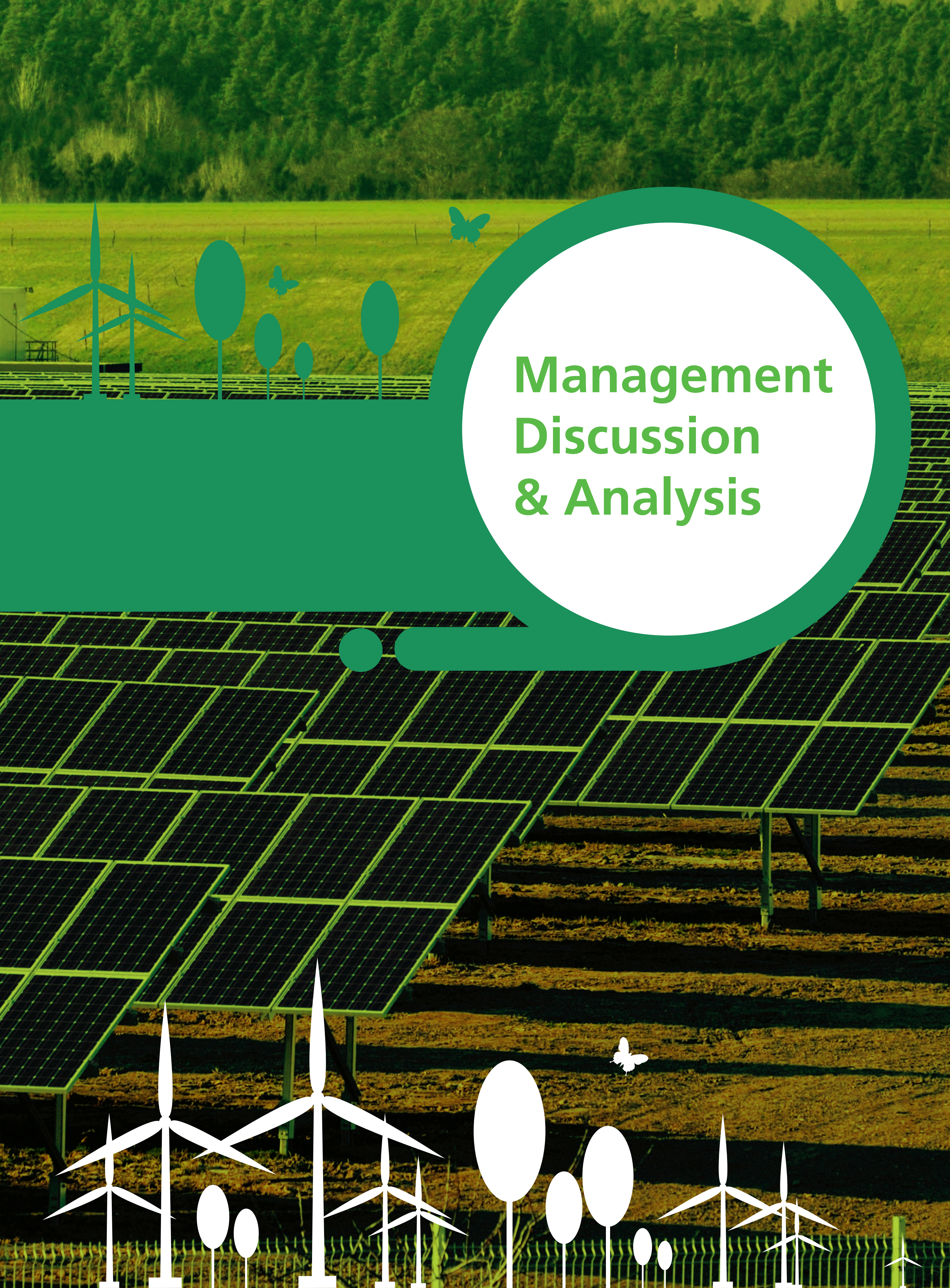
The past year is an important year for the Group after transformation as it experienced a dramatic change in its business. Looking ahead, the Group will continue upholding the current development strategy and expand the business horizon. The Group will endeavor to increase the efforts in expanding its renewable energy business in the PRC and seek better investment opportunities to create greater value.

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and business partners for their interest in and continuous support of the Group and also to the directors, our incredible management team and employees for their commitment and contribution in the previous year. We will continue to do great work to achieve our goals and better results in future.

Wu Jian Nong
Chairman

Hong Kong, 26 June 2017

Management Discussion & Analysis



Management Discussion and Analysis

BUSINESS REVIEW

Renewable Energy Business

The renewable energy business of the Group could be categorised into three segments: provision of a one-stop value added solution for photovoltaic power stations (EPC, maintenance and support, and operation), sales of the patented photovoltaic tracking systems and investment in building its own photovoltaic power stations.

As of 31 March 2017, Tonking New Energy Technology (Shanghai) Limited*（同景新能源科技（上海）有限公司）has established twelve wholly-owned subsidiaries, namely Jiang Shan Shi Tong Jing Guang Fu Limited*（江山市同景光伏有限公司）, Horqin Zuo Yi Hou Qi Tong Jing New Energy Limited*（科爾沁左翼後旗同景新能源有限公司）, Nan Zhang Xian Tong Jing New Energy Limited*（南漳縣同景新能源有限公司）, Hong Ze Tong Jing New Energy Limited*（洪澤同景新能源有限公司）, Huai Nan Shi Tong Jing New Energy Limited*（淮南市同景新能源有限公司）, Zhenping County Tong Jing New Energy Limited*（鎮平縣同景新能源有限公司）, Tianchang Shi Tong Jing New Energy Limited*（天長市同景新能源有限公司）, Qing Yang Shi Tong Jing New Energy Limited*（青陽縣同景新能源有限公司）, Tong Ling Shi New Energy Limited*（銅陵市同景新能源有限公司）, Lin Yi Shi New Energy Limited*（臨沂市同景新能源有限公司）, Ping Yuan Tong Jing New Energy Limited*（平原同景新能源有限公司）and Jin Zhai Xian Tong Jing New Energy Limited*（金寨縣同景新能源有限公司）, as well as one non-wholly-owned subsidiary, namely Inner Mongolia Tong Yuen New Energy Limited*（內蒙古同源新能源有限公司）for the purpose of strengthening the Group's business development in the renewable energy business.

During the reporting period, total realised revenue for the business of renewable energy was recorded of approximately HK$593,413,000 (2016 corresponding period: approximately HK$138,180,000), which was mainly attributable to the one-stop value-added solutions provided by photovoltaic power station, and the total enhancement in sales and scale of business of the patented photovoltaic tracking systems compared with the corresponding period in the last year. During the reporting period, the total installed capacity entered into by the Group was 334.53MW.

During the reporting period, the Group has also embarked on an in-depth co-operation or strategic cooperation with many large enterprise groups and companies such as SPIC*（國家電投集團）, Jinko Power*（晶科電力）, Xinyi Solar*（信義光能）, Lerri Solar Technology Company Limited*（樂葉光伏科技有限公司）and Xi'an Longji Clean Energy Company Limited*（西安隆基清潔能源有限公司）with a view to providing business security for the sustainable development of the business of the Group.

1. China Power Investment Corporation（中國電力投資集團公司）and State Nuclear Power Technology Corporation（國家核電技術公司）merged to form State Power Investment Corporation (referred to as SPIC*（國家電投集團）), a mega stated-owned enterprise and one of the top five power groups in the PRC. It is a comprehensive energy group corporation focusing on power with integrated development. It is also one of the top three operators for nuclear power development and construction in the PRC. It owns a number of nuclear power stations which are in operation or under construction in Hongyanhe, Liaoning province, Haiyang, Shandong province and Rongcheng, Shandong Province, and plant resources in the coastal and inland areas. It is the operator, carrier and platform for the implementation of automation of the third-generation nuclear power and one of the top 500 enterprises in the world. It is committed to the internationalisation of businesses, with overseas businesses covering 36 countries and regions including Japan, Australia and India and involving investment in power projects, technological cooperation and project contracting and construction. During the reporting period, the Group has cooperated with SPIC in projects for a total of 243MWp, in which:

* *For identification purpose only*

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

Renewable Energy Business (continued)

The Group signed a contract for a total of 90MW with Huanghe Hydropower Development Co., Ltd.* (黃河上游水電開發有限責任公司). Huanghe Hydropower Development Co., Ltd.* (黃河上游水電開發有限責任公司) is a large-sized and comprehensive energy enterprise controlled by the State Power Investment Corporation. It was founded in October 1999. It is primarily engaged in the development, construction, production, operation, trial, repair and maintenance of power plants, the production and sales of crystal silicon products and cell and module of solar energy, the production and sales of electrolytic aluminium, and the development of mineral resources.

2. Under the contract entered into between the Group and Baofeng Group* (寶豐集團), located in Ningxia Hui Autonomous Region, PRC, in relation to the sales and installation of solar tracking mounting brackets system for the 700MWp agricultural intelligent photovoltaic power station, phase 1 of the grid-connection project as to 350MWp has been completed. This project has become the largest oblique uniaxial tracking agricultural photovoltaic power station throughout the world. Ningxia Baofeng Group Limited* (寧夏寶豐集團有限公司) has been actively devoted to western development and construction in response to the national western development strategy. After development for over a decade, the Group has established five core segments, namely energy chemical, new energy, medical and pension, wolfberry health and charity, with total assets of RMB42 billion and 13,000 staffs, ranking top 500 private enterprises in China.

3. On 10 August 2016, the Group, Lerri Solar Technology Company Limited* (樂葉光伏科技有限公司) ("Lerri Solar") and Xi'an Longji Clean Energy Company Limited* (西安隆基清潔能源有限公司) ("Xi'an Longji") (collectively, the "Parties") entered into a strategic cooperation agreement ("Cooperation Agreement"), pursuant to which the Parties shall fully utilise their respective competitiveness in solar photovoltaics industry, technology and resources advantages in tracking mounting brackets system, and monocrystalline technology; and jointly facilitate photovoltaics technology development through cooperation in photovoltaics power station, equipment application and project cooperation and construction.

   Lerri Solar, a company incorporated in the PRC with limited liability and established in February 2015, is a wholly-owned subsidiary of Xi'an Longji Silicon Materials Corporation. Lerri Solar is principally engaged in the research and development, production and sales of monocrystalline silicon solar cells and modules.

   Xi'an Longji, a company incorporated in the PRC with limited liability and established in May 2014, is a subsidiary of Xi'an Longji Silicon Materials Corporation. Xi'an Longji is principally engaged in the provision of efficient smart solar application system solution and investment, construction and operation of integrated ecological project linking solar power with agricultural, fishing, barren sand treatment and farming and breeding industry.

* *For identification purpose only*

BUSINESS REVIEW (continued)

Renewable Energy Business (continued)

4. The Group has thoroughly implemented the policy of precision poverty alleviation. According to the performance targets setting out in the Opinion on the Implementation of the Work on Photovoltaic Poverty Alleviation (Fa Gai Neng Yuan [2016] No. 621), the work emphasis by 2020 is that two million poor households (including the disabled) from approximately 35,000 pioneer poor villages with sound light conditions in 471 counties from 16 provinces will be earmarked to develop village-wide installation of photovoltaic power and enhance agricultural productivity to ensure an increment in annual household income by more than RMB3,000 before year 2020. The Group has actively responded to the call of government on precision poverty alleviation by enhancing its investment in projects to alleviate poverty through photovoltaic power generation. Using Tong Jing Guang Fu's tracking bracket not only ensures an increase in power generating capacity and a reduction of power generation cost, but also provides a long-term and stable income to the underprivileged, which will light up a spark of hope for the underprivileged to lift themselves out of poverty. During the reporting period, the Group has secured projects on precision poverty alleviation in a total of approximately 23.1MWp, including:

    1. On 21 March 2017, the Group entered into the "General Contract in relation to Photovoltaic Poverty Alleviation EPC Project in Zhenping County", with a project scale of 22MWp, with the Poverty Alleviation Development Office in Zhenping County, Nanyang City, Henan Province, the PRC ("Poverty Alleviation Development Office in Zhenping County"). This is a national photovoltaic poverty alleviation project. As Zhenping County in Henan Province is a national poverty village, the Company has made a great effort into supporting the photovoltaic precision poverty alleviation, vigorously promoted the construction of photovoltaic poverty alleviation and helped the underprivileged to have a stable source of income.

    2. On 6 March 2017, the Group entered into the "Contract in relation to the equipment procurement and installation project of the 125KWp photovoltaic ground power station in Weiwei Village, Panji Town" with the People's Government of Panji Town, Huainan City. The power station is a government poverty alleviation project with revenue being received by Weiwei Village.

5. The Group insists on promoting sound and sustainable development with technology innovation and capturing the market with technological strengths. By continuously investing in and supporting technology research and development, operating in a market-oriented and customer-centric manner as well as leveraging on its development experience in the new energy sector over years and its careful analysis on national policies, the Group is able to provide customers with the intelligent models of ecological integration in the photovoltaic aspects of agriculture (forestry and animal husbandry) and fishery, and the personalised intelligent solutions for hilly land and rooftop, etc. In line with the changes in market demand, during the reporting period, the Group introduced:

    1. oblique uniaxial tracking mounting brackets system, applying to the project of the 700MWp photovoltaic power station of Ningxia Baofeng Group*（寧夏寶豐集團）in Hong Dun Zi*（紅墩子）mining zone, which will become the largest oblique uniaxial tracking agricultural photovoltaic power stations in the world upon completion; and applying to the 22MWp Photovoltaic Poverty Alleviation EPC Project in Zhenping County, Nanyang City, Henan Province.

* *For identification purpose only*

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

Renewable Energy Business (continued)

2. distributed rooftop all-aluminum-alloy oblique uniaxial tracking mounting bracket system, applying to the 700KWp rooftop solar power generation project of Hengliang*（恒亮）.

3. truss-type flat uniaxial photovoltaic tracking mounting bracket system (conventional), applying to the project of 50MWp flat uniaxial tracking unit of the Xinyi fishery photovoltaic power station project of Xinyi Solar*（信義光能）in Niubu Town, Wuwei County, Wuhu City, Anhui Province.

4. H-shaped flat uniaxial tracking mounting bracket system (conventional), applying to the 45MWp photovoltaic project of Huanghe Hydropower Co., Ltd.*（黃河上游水電有限責任公司）in Hainan Prefecture and the 2.22MW photovoltaic generation project of the combined biochemical pool of Taizhou Jolywood*（泰州中來）.

5. all-aluminum-alloy flat uniaxial tracking mounting bracket system, applying to the 45MW photovoltaic project of Huanghe Hydropower Development Co., Ltd.*（黃河上游水電開發有限責任公司）in Golmud.

6. adjustable photovoltaic mounting bracket, applying to the 30MW agricultural photovoltaic power station project of China Power Investment Corporation in Futu Town, Yangxin County, Hubei Province.

7. photovoltaic mounting bracket system, applying to the 20MW forestal (agricultural) photovoltaic power station project of China Power Investment Corporation in Huangbo Village, Dexing City.

8. floating flat uniaxial tracking mounting bracket system, applying to the 531.36KWp fishery photovoltaic power station project of Xinyi Solar Company*（信義光能公司）in the coal mining subsidence area in Huainan, Anhui Province.

9. floating all-aluminum-alloy tracking mounting bracket system.

With the outstanding core competitiveness bringing by its own patented proprietary technological products, the Group's market share has achieved a steady growth. The Group actively participates in various projects such as photovoltaic fore-runner projects, photovoltaic poverty alleviation projects and distributed photovoltaic projects, helping to solve the problem of electricity consumption in poor areas and provide a long-term source of stable income to poor people on the one hand, while demonstrating the competitive strength and technology strength of the Group's products through fore-runner projects on the other hand. Meanwhile, our floating pontoon has successfully passed the European Union RoHS quality standards certification, marking that the Group has become the first supplier certificated by the TÜV SÜD Hydro-photovoltaic Bracket System in the PRC. Our "power distribution cabinet tracker" has passed the 3C certification.

* *For identification purpose only*

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

Food and Beverage Business

The Group is also operating 11 full-service restaurants and 2 cake shops as at 31 March 2017, namely "Inakaya", "Harlan's", "Kaika", "Mekikinoginji-Okinawa" in Tuen Mun, Causeway Bay, Tsim Sha Tsui, and Mongkok, "Hooray", "Pearl Delights", "PHO Hoi An" in Tsim Sha Tsui and San Po Kong, "Harlan's Cake Shop" and "Carousel" of which some are operated by way of franchising agreement. The Group endeavored to work out the philosophy – "unique dining concepts" through quality dishes accompanied by a pleasant atmosphere and attentive services.

In January 2017, the Group entered into a franchise agreement with a company incorporated in France that operate French fine dining restaurant "LE 39V". The founder was granted the first Michelin Star for "LE 39V" in MICHELIN® Guide of 2012. The Group will operate "LE 39V" in Hong Kong and proposed to be opened in June 2017.

Mekikinoginji-Okinawa

The Group operates three restaurants under the franchise name of "Mekikinoginji-Okinawa" in Tuen Mun, Causeway Bay, Tsim Sha Tsui and one restaurant in Mongkok under the Brand name of "Royal Grill Ginji", which is a famous izakaya chain well known for its creative dishes and contemporary interior design in the Okinawa Prefecture of Japan. The Brand name of "Royal Grill Ginji" was established under the franchise name "Mekikinoginji-Okinawa", which is a new concept izakaya restaurant that serves teppanyaki delights together with signature izakaya dishes.

Inakaya

Being one of the few robatayaki Japanese restaurants that is located on the upper floors of one of the tallest buildings in the world, Inakaya has successfully maintained and strengthened its upscale and fine-dining image in Hong Kong. In March 2017, Inakaya was closed for interior renovation and the restaurant was re-opened in mid of April 2017. The brand new Inakaya evokes not only a modern interpretation, but also retain the traditional image of Tokyo.

Harlan's

With an inviting ambience and plush interior design, Harlan's successfully demonstrate our strength in providing perfect venue and attentive services for holding wedding banquets and corporate events. Harlan's has maintained its unique position as one of the finest restaurants with splendid view in Tsim Sha Tsui.

Kaika

The Teppanyaki brand has been moving on with enormous momentum which transcended itself from merely a teppanyaki restaurant from Ginza Tokyo. Kaika captured not only frequent dinners but also new customers with a discerning palate.

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

Hooray

Acclaimed as the sky garden restaurant, Hooray, with a 12,000 sq. ft. venue, continued to explore new cuisine and dining fashions for the young and trend-setting customers. Hooray has established a sharp image for modern and adventurous cuisine which had been popular among the young clientele.

Pearl Delights

Being a Chinese cuisine restaurant, "Pearl Delights", brings in a new Cantonese cuisine dining concept that focuses on dim sum and Cantonese barbeque meat for its customers in the Shatin District, one of the most populous districts in Hong Kong. After interior renovation from end of October to early of December 2016, we believe that our new modern design together with new delicate cuisine can attract wide range group of customers including also the young couples.

PHO Hoi An

This Vietnamese eatery continues to maintain its image as major casual dining restaurant of the Group. Through providing efficient service and an array of Vietnamese cuisines inspired from Hoi An, the world heritage town in Vietnam, the new brand is expected to strengthen the clientele base and establish a new stream of customers for the Group.

Harlan's Cake Shop

Harlan's Cake Shop has been growing with a strong and loyal customer base. Delightful pastry, aromatic coffee together with the graceful décor set an inviting tone for the shop which won the heart among the locals and tourists in the Tsim Sha Tsui area.

LE 39V (coming in June 2017)

By entering into a franchise agreement with a French company in January 2017, the Group will operate a new Brand "LE 39V" in Hong Kong which is a French fine dining restaurant. The founder of LE 39V in Paris was granted the first Michelin Star for "LE 39V" in MICHELIN® Guide of 2012. LE 39V in Hong Kong will be located at ICC. With the fascinating view of the Victoria Harbour and refined interior design, customers can enjoy the traditional and delicated french recipe with perfectly matched fine wine. The restaurant will be opened in coming June 2017.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

Revenue

For the financial year ended 31 March 2017, the Group recorded revenue of approximately HK$834,970,000, representing a significant increase of approximately 107% compared with approximately HK$402,685,000 of the corresponding period in 2016. The growth in revenue was mainly attributable to the revenue from renewable energy business that the Group commenced operation in the fourth quarter of 2015.

Cost of food and beverage

The cost of food and beverage for the year ended 31 March 2017 amounted to approximately HK$71,641,000 (2016: approximately HK$77,794,000) which was derived from restaurant operations. Despite rising inflation in the market, the Group was still able to maintain the overall cost margin at approximately 30% of revenue from food and beverage business for the two years ended 31 March 2017 and 2016 respectively, which is a key performance indicator of the overall efficiency and profitability of the restaurant operations.

Contract costs

The contract costs for the year ended 31 March 2017 was approximately HK$508,469,000 (2016: approximately HK$112,208,000). The costs were derived from the renewable energy business which was mainly represented by the cost of construction materials and supplies, subcontracting charges, labour costs, transportation, machine and vehicle rental expenses and other expenses.

Staff costs

The staff costs increased by approximately 14% to approximately HK$95,119,000 for the year ended 31 March 2017 (2016: approximately HK$83,564,000). The increase was mainly attributable to the increase in the number of staff for the renewable energy business.

Depreciation and amortisation

Depreciation and amortisation decreased by approximately 31% to approximately HK$11,238,000 for the year ended 31 March 2017 (2016: approximately HK$16,334,000). The decrease was mainly attributable to full depreciation of certain assets in the Group.

Property rentals and related expenses

The property rentals and related expenses for the year ended 31 March 2017 amounted to approximately HK$62,794,000 (2016: approximately HK$60,807,000), representing an increase of approximately 3% as compared to the corresponding period in 2016. Such increase was mainly attributable to the newly rented offices for the Group.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW (continued)

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately 41% to approximately HK$47,132,000 for the year ended 31 March 2017 from approximately HK$33,473,000 for the corresponding period in 2016. Such increase was mainly due to the operation of the renewable energy business.

Net profit

For the year ended 31 March 2017, the Group recorded profit attributable to owners of the company of approximately HK$25,992,000 (For the year ended 31 March 2016: approximately HK$5,078,000). The profit was mainly attributable to the growth in profit from renewable energy business that the Group commenced operation in the fourth quarter of 2015.

FUTURE PROSPECTS

Renewable Energy Business

According to the National Energy Administration, by the end of 2016, China's newly installed photovoltaic capacity amounted to 34.54 million kilowatts, with cumulative installed capacity reaching 77.42 million kilowatts, ranking first in the world in terms of both newly installed capacity and cumulative installed capacity. Various policy support and clear objectives of the country for photovoltaic development have also strengthened the Group's confidence in the new energy industry.

The year 2017 is a key year for the Group to accelerate its growth. The photovoltaic market in China is still in good shape and the total market demand is still large:

1. The Notice of Adjustments to the Price of Photovoltaic Power issued by the National Development and Reform Commission (NDRC) on 26 December 2016 expressly requires to make reasonable guidance on the optimisation of layout planning of the photovoltaic power industry, encourage the eastern region to develop new energy nearby and encourage the adoption of tendering and other market-oriented methods to determine the electricity price of new energy. The Notice will further implement the target requirements as stated in the Energy Development Strategic Action Plan (2014-2020) issued by the General Office of the State Council in relation to the realisation of grid parity of wind power and photovoltaic power by 2020 and reduce the benchmark on-grid tariffs of the newly constructed photovoltaic power stations after 1 January 2017 and the newly approved construction of onshore wind power stations after 1 January 2018. The introduction of the Notice has prompted all photovoltaic enterprises to adopt more reliable tracking system to boost generating capacity in order to improve the price-performance ratio of photovoltaic power generation.

2. The "Energy Production and Consumption Revolution Strategy" issued by the NDRC and the Energy Bureau (hereinafter referred to as the "Strategy") pointed out that the incremental demand mainly depends on clean energy. We should pursue the distributed and centralised development simultaneously, with distributed utilisation as the priority, to promote the renewable energy development at a high proportion. We should vigorously develop wind energy and solar energy, continuously improve the efficiency of power generation, reduce the cost of power generation, and achieve the equal competition with conventional power. The Strategy certainly will lead to further promotion of photovoltaic tracking system, thereby pushing the photovoltaic industry to reduce costs, while improving the efficiency of photovoltaic power generation.

Management Discussion and Analysis (continued)

FUTURE PROSPECTS (continued)

Renewable Energy Business (continued)

Looking forward, the Group will, on the one hand, increase the proportion of R & D investment, focusing on the research and development of high quality, leading photovoltaic tracking system products with sustained market competitiveness. Through innovation, we aim to improve product performance, reduce power generation cost and promote grid parity. With its own resources and competitive advantages, the Group actively promote the photovoltaic 'fore-runner' project and photovoltaic poverty alleviation project. At the same time, we will continue to maintain the cooperation with large enterprise groups in the industry, so as to increase the market share of the Group's photovoltaic tracking system in the industry. On the other hand, based on the steady development of domestic business, we should expand the market share in the international market. With the sustained global concern on the environmental protection, as well as the great impetus of "The Belt and Road" policy to the application of renewable energy by alongside countries and regions, the Group will also grasp its technical advantages and successful experience to actively deploy overseas market and ensure its products pass UL and relevant international certification standards. Currently, the Group has made cooperation with Egypt, and is planning to sell its products to the United States, Africa, Southeast Asia and other countries in the future.

We believe that under the joint efforts of the Group as a whole, in the photovoltaic market where technological development becomes increasingly mature, the Group's photovoltaic tracking system enjoying technological advantage will gain more recognition and popularity among its peers in the industry, and it will become much more competitive over time with a surging number of power stations applying such technology.

Food and Beverage Business

The Group will continue upholding the current flexible development strategy by putting more resources on those potential profit making outlets. The Group will continue to operate fine-dining and casual dining restaurants as well as restaurants in middle-class market to broaden the stream of customers and diversify its income stream. To maintain its competitive edge, the Group will continue to adhere to its philosophy – "unique dining concepts", by developing innovative and tasty dishes, creating a pleasant atmosphere and providing attentive services.

Looking ahead, the Group anticipates the coming year is still a challenging year. To cope with this, the Group will put effective cost control as first priority in its strategies. We will enhance the operating efficiency of both business segments and streamline our current business operation.

The Board is optimistic that the Group's persistence in the diversification strategy will enable the Group to grow sustainably in the foreseeable future. The Group will continue to make its best efforts in achieving satisfactory returns for the shareholders of the Company.

Management Discussion and Analysis (continued)

FUND RAISING FROM PLACING OF SHARES UNDER GENERAL MANDATE

On 25 July 2016 (after trading hours), the Company entered into the Placing Agreement ("**Placing Agreement**") with Shenwan Hongyuan Securities (H.K.) Limited and UOB Kay Hian (Hong Kong) Limited ("**Placing Agents**") whereby the Company agreed to place, through the Placing Agents, collectively and on a best effort basis, a maximum of 14,362,657 Shares ("**Placing Shares**") to not less than six placees at a price of HK$5.57 per Placing Share ("**Placing**"). The aggregate nominal value of the maximum number of Placing Shares under the Placing would be HK$143,626.57. The net placing price is approximately HK$5.35 per Share.

All the conditions precedent as set out in the Placing Agreement have been fulfilled and completion of the Placing took place on 4 August 2016 in accordance with the terms and conditions of the Placing Agreement. An aggregate of 9,000,000 Placing Shares have been successfully placed to not less than six placees at the Placing Price of HK$5.57 per Placing Share, with an aggregate nominal value of the Placing Shares issued of HK$90,000. The market price of the Shares on 25 July 2016 was HK$6.70.

The reasons for the Placing is to obtain proceeds to finance the business activities and operations of the renewable energy business, including the construction and operation of solar power stations.

The net proceeds from the Placing were approximately HK$48 million. The net proceeds from the Placing are intended to be used to finance the business activities and operations of the renewable energy business, including the construction and operation of solar power stations. As of 31 March 2017, the Group has used approximately HK$21 million of net proceeds from the Placing for the project with Ningxia Baofeng*（寧夏寶豐）, approximately HK$23 million for the project with Xinyi in Wuwei, and approximately HK$2 million for photovoltaic industry-related professional training. The balance of net proceeds is placed in the Group's bank account and will continue to be used to finance the business activities and operations of the renewable energy business.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 31 March 2017, the share capital and equity attributable to owners of the Company amounted to HK$4,090,000 and approximately HK$152,077,000 respectively (2016: HK$4,000,000 and approximately HK$85,975,000 respectively).

Cash position

As at 31 March 2017, the cash and cash equivalents of the Group amounted to approximately HK$106,740,000 (2016: approximately HK$21,991,000), representing an increase of approximately 385% as compared to that as at 31 March 2016.

Borrowings

As at 31 March 2017, total borrowings of the Group amounted to approximately HK$37,447,000 (2016: HK$36,785,000) which was derived from the issue of a promissory note. On 9 September 2015, the Group issued a promissory note to an independent third party with an aggregate principal amount of HK$36,000,000 which bears an interest rate of 4% per annum for a term of two years.

* *For identification purpose only*

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (continued)

Pledge of assets

As at 31 March 2017 and 2016, the entire issued share capital of Glory Kind Development Limited (a direct wholly-owned subsidiary of the Company) were pledged to secure the issue of a promissory note to an independent third party.

Gearing ratio

As at 31 March 2017, the gearing ratio of the Group was approximately 62% (2016: approximately 37%). The gearing ratio is calculated based on the total debt at the end of the year divided by the total debt plus total equity at the end of the respective year. Total debt represents all liabilities excluding trade and bills payables, other payables and accruals, tax payable and provision for reinstatement costs.

Exchange rate exposure

The Group is principally engaged in the renewable energy business in the PRC and the operation and management of restaurants and cake shops in Hong Kong. As the renewable energy business segment of the Group has subsidiaries operating in the PRC, in which most of their transactions are denominated in Renminbi, the Group is exposed to foreign exchange fluctuations in Renminbi.

The Group has not entered into any foreign exchange contract as hedging measures. The Group manages its foreign currency risk against Renminbi by closely monitoring its movement and the management may consider using hedging derivative, to manage its foreign currency risk in future should the need arises.

Significant Investments Held, Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies, and Plans for Material Investments or Capital Assets

On 3 March 2016, Jiang Shan Shi Tong Jing Guang Fu Limited*（江山市同景光伏有限公司）(“Tong Jing”), an indirect wholly-owned subsidiary of the Company, and Jiang Shan Shi Ming Crystal Limited*（江山世明水晶玻璃有限公司）(“Shi Ming”) entered into an acquisition agreement (the “Acquisition Agreement”), pursuant to which Tong Jing has conditionally agreed to acquire and Shi Ming has conditionally agreed to sell the assets, including, mechanical equipment, transportation equipment, electrical equipment and office furniture, at the consideration of RMB4,073,200.

The terms of the Acquisition Agreement (together with the consideration) were determined after arm’s length negotiations between the parties and after making reference to the prevailing market rates. Details of the transactions contemplated under the Acquisition Agreement were set out in the announcement of the Company dated 3 March 2016.

Save as disclosed above, there were no other significant investments held, material acquisition or disposal of subsidiaries and affiliated companies, and other plans for material investments or capital assets during the year ended 31 March 2017.

Contingent Liabilities

As at 31 March 2017, the Group had no material contingent liabilities (2016: nil).

* *For identification purpose only*

Management Discussion and Analysis (continued)

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (continued)

Capital Commitment

As at 31 March 2017, the Group had capital commitments of approximately HK$1,530,000 (2016: approximately HK$5,404,000).

Employees and Emolument Policies

The Group had 452 employees (including Directors) as at 31 March 2017 (2016: 311 employees). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses for both the renewable energy and the food and beverage businesses. The remuneration packages are subject to review on a regular basis.

The Directors and senior management receive compensation in the form of fees, salaries, allowances, benefits in kind and/or discretionary bonuses relating to our performance. The emoluments of the Directors and senior management are reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market level of salaries paid by comparable companies, individual performance and achievement, and are approved by the Board.

The Group's remuneration to employees includes salaries and discretionary performance bonus. Duty meals are also provided to employees. The Group has adopted profit sharing schemes under which certain employees are benefited from it. The Group provides insurance coverage in respect of medical care and work injury to its employees. Rental allowance is also given to certain employees.

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

The Group's credit risk is primarily attributable to trade receivables, deposits and other receivables and cash and bank balances. For the year ended 31 March 2017, no impairment loss on trade receivables for the Group.

Interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Our commitment to protect the environment is well reflected by our continuous efforts in promoting green measures and awareness in our daily business operations. Our Group encourages environmental protection and promotes awareness towards environmental protection to the employees. Our Group adheres to the principle of Recycling and Reducing. Furthermore, it uses energy-saving appliances in the production process to save energy.

Our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of our Group's businesses to move towards adhering the 3Rs – Reduce, Recycle and Reuse and enhance environmental sustainability.

The Group's Environmental, Social and Governance Report for the year ended 31 March 2017 will be published on the respective websites of the Stock Exchange and the Company on or before 30 September 2017.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is aware of the importance of complying with the relevant laws and regulations. The Company has distributed human resources to guarantee our constant compliance to provisions and codes, and build good relationship with supervision authorities through effective communication. During the year ended 31 March 2017, to the knowledge of the Directors, the Company has complied with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), the GEM Listing Rules and all other relevant legislations and regulations which have significant impacts on the Company.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group maintains good relationship with its customers.

The Group also maintains a good relationship with its suppliers.

During the year ended 31 March 2017, there was no material dispute on salary payments and all accrued remunerations were settled on or before their respective due dates, as stipulated under individual employee's employment contract. The Group also ensures that all the employees are reasonably remunerated by regular review the policies on salary increment, promotion, bonus, allowances and all other related benefits.

In view of the above and as at the date of the annual report, there is no circumstance or any event which will have a significant impact on the Group's business and on which the Group's success depends.

KEY PERFORMANCE INDICATORS

The key financial performance indicators of the Group for the year ended 31 March 2017 is set out in the section headed "Five Years' Financial Summary" of the annual report.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wu Jian Nong (吳建農), aged 55
Chairman and Chief Executive Officer and Executive Director

Mr. Wu was appointed as an executive Director on 1 October 2015. He was appointed as the chief executive officer and vice chairman of the Company on 21 November 2015 and redesignated from Vice Chairman to Chairman of the Company on 11 August 2016. Mr. Wu is responsible for the strategic development and management of the Group's business and operations.

Mr. Wu completed the executive master of business administration course (EMBA) from Overseas Education College Shanghai Jiao Tong University (上海交通大學海外教育學院) in February 2006. Mr. Wu further obtained a master degree in business administration from Hong Kong Finance and Economics College (香港財經學院) in June 2008. He obtained the qualification of engineer from Quzhou City Leading Group for Title Reform* (衢州市職稱改革領導小組) in 1992. From December 1978 to March 1994, Mr. Wu worked as an engineer in Jiang Shan Chemical Industry General Factory* (江山化工總廠). He was the chairman of the board of directors of Zhejiang Jiangshan Sunny Electron Co., Ltd* (浙江江山三友電子有限公司) from April 1994 to May 2011. Since May 2011, Mr. Wu has been the president of Zhejiang Tonking New Energy Group Co., Ltd* (浙江同景新能源集團有限公司).

Ms. Shen Meng Hong (沈孟紅), aged 41
Executive Director and Compliance Officer

Ms. Shen was appointed as an executive Director on 3 August 2015. She was appointed as the compliance officer of the Company on 18 October 2016. Ms. Shen is responsible for the strategic development and management of the Group's business and operations.

Ms. Shen has a very rich operating experience in the field of enterprise strategic management, mergers and acquisitions, initial public offering and risk management. Ms. Shen was engaged in the compact fluorescent lamp industry and renewable energy industry and had accumulated a wealth of experience in financial management. She obtained an MBA from the Hong Kong Finance and Economics College in 2008, and is a qualified PRC senior accountant.

* For identification purpose only

Biographies of Directors and Senior Management (continued)

EXECUTIVE DIRECTORS (continued)

Mr. Xu Shui Sheng (徐水升), aged 52
Executive Director

Mr. Xu was appointed as an executive Director on 1 October 2015. Mr. Xu is responsible for the strategic development and management of the Group's business and operations.

Mr. Xu obtained a master degree in business administration from Hong Kong Finance and Economics College (香港財經學院) in June 2008. Mr. Xu obtained the qualification of engineer (with specialization in mechanical engineering) from the Human Resources and Security Bureau of Quzhou City* (衢州市人力資源和社會保障局) in August 1996. From August 1981 to September 2001, Mr. Xu had worked as the deputy workshop director (車間副主任) and equipment deputy general manager of Jiang Shan Beer Factory* (江山啤酒廠). He was the deputy general manager of the technology development department of Zhejiang Jiangshan Sunny Electron Co., Ltd* (浙江江山三友電子有限公司) from September 2001 to August 2012. Since April 2014, Mr. Xu has been the deputy president of Zhejiang Tonking New Energy Group Co., Ltd* (浙江同景新能源集團有限公司).

Mr. Zhou Jian Ming (周建明), aged 48
Executive Director

Mr. Zhou was appointed as an executive director on 18 October 2016. Mr. Zhou is responsible for the strategic development and management of the Group's business and operations.

Mr. Zhou obtained a Master of Business Administration degree from Hong Kong Finance and Economics College in June 2008. From May 1993 to January 1997, Mr. Zhou was the Head of the Quality Department of Jiangnan Chain Company Limited*. From February 1997 to April 2002, Mr. Zhou was the Head of the Sales Department in Zhejiang Jiangshan Sunny Electron Co., Ltd*. Since May 2002, Mr. Zhou has been the Vice President of the Zhejiang Tonking New Energy Group Co., Ltd*.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wang Xiaoxiong (王肖雄), aged 57
Independent non-executive Director

Ms. Wang was appointed as an independent non-executive Director on 5 February 2016. Ms. Wang obtained a postgraduate diploma in accounting from Hangzhou Dianzi University. She obtained a diploma in legal studies from Zhejiang Radio & Television University Jiangshan Branch.

Ms. Wang has a rich experience in auditing, financial reporting and accounting. Ms. Wang has been a certified tax agent of the Certified Tax Agent Management Centre of Zhejiang since 2003 and an internal auditor of the Professional Credentials for Internal Auditors since 2004. Moreover, she was granted the title of senior accountant by the Commission of Personnel of Zhejiang in 2004 and has qualified as a certified accountant of the Chinese Institute of Certified Public Accountants in 2008.

* *For identification purpose only*

Biographies of Directors and Senior Management (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Zhou Yuan（周元）, aged 51
Independent non-executive director

Mr. Zhou was appointed as an independent non-executive director on 13 March 2017.

Mr. Zhou obtained a bachelor's degree of Economics and Management from Anhui University of Technology of the PRC in July 1988. He is currently served as the legal representative and the chairman of Shanghai Jing Yao Investment Co., Ltd.*（上海晶耀投資有限公司）and the secretary general of the Photovoltaic Green Ecological Collaborative Organization with extensive experience in corporate, government and chamber of commerce management.

Mr. Yuan Jiangang（袁堅剛）, aged 49
Independent non-executive director

Mr. Yuan was appointed as an independent non-executive director on 26 May 2017. Mr. Yuan graduated from the School of Economics of Shanghai University of Finance and Economics in July 1990, is a certified public accountant in PRC. Since March 1997, he is the partner and vice-director of Zhejiang Zhengxin United Accounting Firm*（浙江正信聯合會計 師事務所）(currently known as Zhejiang Zhengxin Yonghao United Accounting Firm*（浙江正信永浩聯合會計師事務所）). Since March 2000, he is also the chairman and general manager of Zhejiang Qiuzheng Asset Appraisal Co., Ltd.*（浙江求正資產評估有限公司）, and also the director of Hangzhou Lianxin Tax Office*（杭州聯信稅務師事務所）since April 2000. He is a certified asset valuer, certified tax accountant and senior accountant. Mr. Yuan obtained the independent director qualification of Shanghai Stock Exchange in April 2009, and is currently an independent director of Guangdong Kaiping Chunhui Co., Ltd. (000976), Zhejiang Double Arrow Rubber Co., Ltd. (002381), Zhejiang Zoland Animation Co., Ltd. (833156).

SENIOR MANAGEMENT

Ms. Ye Yu Fen（葉玉芬）, aged 33
Vice President of Tonking New Energy Technology (Shanghai) Limited

Ms. Ye joined the Group in February 2016 and was appointed as the vice president of Tonking New Energy Technology (Shanghai) Limited, a wholly-owned subsidiary of the Group. She was graduated from Ningbo Institute of Technology, Zhejiang University with a bachelor degree in international economics and trade in June 2007 and obtained a master degree in business administration from Hong Kong Finance and Economics College in August 2014. She was the foreign trade manager of the Board of Zhejiang Jiangshan Sunny Electron Co., Ltd.*（浙江江山三友電子有限公司）from July 2007 to October 2008. She was the foreign trade manager of the Board of Zhejiang Tonking Technology Co., Ltd.*（浙江同景科技有限公司）from October 2008 to July 2011. She was the assistant of President of the Zhejiang Tonking New Energy Group Co. Ltd from July 2011 to January 2016. Currently, she is responsible for the management of sales and marketing.

* *For identification purpose only*

Biographies of Directors and Senior Management (continued)

SENIOR MANAGEMENT (continued)

Mr. Zhou Yong Zhong (周永忠), aged 50
Vice President of the Project Development Department of Tonking New Energy Technology (Shanghai) Limited

Mr. Zhou joined the Group in February 2016 and was appointed as the Vice President of the Project Development Department of Tonking New Energy Technology (Shanghai) Limited, a wholly-owned subsidiary of the Group. He was graduated from Zhejiang University of Technology with a bachelor degree in mechatronics in 1988. He was a technician in a Jiang Shan electric appliance factory from 1988 to 1993. He was the head of business department of Regulatory Commission of the Jiang Shan Economic Development Zone from 1993 to 1998. He was the deputy town mayor of industry of Party Committee of He Chuan Town from 1998 to 2004. He was a the chief of the village named Thirty-two Du from June 2004 to June 2005. He was the secretary of the town mayor of the government party commission of Xia Kou Town from June 2005 to August 2008. He was the officer of Regulatory Commission of the Jiang Shan Economic Development Zone from August 2008 to December 2008. Currently, he is responsible for the development of the photovoltaic projects in the North.

Directors' Report

The Directors are pleased to present to the Shareholders this annual report and the audited consolidated financial statements for the year ended 31 March 2017 (the "Year").

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 16 to the consolidated financial statements in this annual report.

During the Year, the Group is principally engaged in the renewable energy business in the People's Republic of China (the "PRC") and the operation and management of restaurants and cake shops in Hong Kong.

RESULTS

The results of the Group for the Year are set out on pages 53 to 54 of this annual report.

FINAL DIVIDEND

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

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting ("AGM") of the Company will be held on 3 August 2017 (Thursday), at 11:00 a.m., at Portion 2, 12th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong.

For determining entitlement to attend the forthcoming AGM, the register of members of the Company will be closed from 31 July 2017 (Monday) to 3 August 2017 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming AGM all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong before 4:30 p.m. on 28 July 2017 (Friday).

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2017, a discussion on the Group's future prospects, an account of the principal risks and uncertainties facing the Group, a discussion on the Company's environmental policies and performances, an account of the Company's compliance with significant relevant laws and regulations and an account of the Company's key relationships with its employees, customers and supplies are set out in the section headed "Management Discussion and Analysis" in pages 6 to 19 of the annual report. Also the key financial performance indicators of the Group for the year ended 31 March 2017 is set out in the section headed "Five Years' Financial Summary" in page 124 of the annual report.

Directors' Report (continued)

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements in this annual report and the prospectus of the Company dated 14 November 2013 (the "Prospectus"), is set out on page 124. This summary does not form part of the audited consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the Company's paid up capital for the Year are set out in note 29 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2017.

TRANSFER TO RESERVES

Profit attributable to equity shareholders, before dividends, of approximately HK$25,992,000 have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 57 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 March 2017, the Company's reserves available for distribution represent the share premium, and retained profit and the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to approximately HK$147,987,000.

Detail of movements in the reserves of the Company and the Group during the year are set out in note 41 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

Directors' Report (continued)

CONNECTED TRANSACTIONS

During the year, the Group entered into the following connected transactions and continuing connected transactions (other than connected transactions that are exempted under Rule 20.71 of the GEM Listing Rules).

A. Tenancy agreements in relation to leasing of premises

On 3 March 2016, Jiang Shan Shi Tong Jing Guang Fu Limited ("Tong Jing"), an indirect wholly-owned subsidiary of the Group, as tenant, entered into a tenancy agreement (the "Tenancy Agreement") with Jiang Shan Shi Ming Crystal Limited ("Shi Ming"), as landlord, in respect of leasing of premises for a term of 3 years, commencing from 1 April 2016 to 31 March 2019.

The annual caps for amounts payable by the Group to Shi Ming under the Tenancy Agreement are RMB1,884,000, RMB1,884,000 and RMB1,884,000 for the three years ending 31 March 2017, 31 March 2018 and 31 March 2019 respectively.

The terms of the Tenancy Agreement (together with the consideration) were determined after arm's length negotiations between the parties and after making reference to the prevailing market rates. Details of the transactions contemplated under the Tenancy Agreement were set out in the announcement of the Company dated 3 March 2016.

As at the date of such announcement, Mr. Wu Jian Nong is an executive Director and chief executive officer of the Company and vice chairman of the Board. Mr. Wu Jian Nong indirectly owns as to approximately 88.47% of interest in Shi Ming and is a director of Shi Ming. Mr. Xu Shui Sheng is an executive Director of the Company and indirectly owns as to approximately 1.53% of interest in Shi Ming. Ms. Shen Meng Hong is an executive Director of the Company and is a director of Shi Ming. Accordingly Mr. Wu Jian Nong, Mr. Xu Shui Sheng, Ms. Shen Meng Hong and Shi Ming are connected persons of the Company under the GEM Listing Rules. Therefore, the Tenancy Agreement and the transaction contemplated thereunder constitute a continuing connected transaction of the Company.

B. Acquisition agreement in relation to acquisition of certain assets

On 3 March 2016, Tong Jing, an indirect wholly-owned subsidiary of the Company, and Shi Ming entered into an acquisition agreement (the "Acquisition Agreement"), pursuant to which Tong Jing has conditionally agreed to acquire and Shi Ming has conditionally agreed to sell the assets, including, mechanical equipment, transportation equipment, electrical equipment and office furniture, at the consideration of RMB4,073,200.

CONNECTED TRANSACTIONS (continued)

The terms of the Acquisition Agreement (together with the consideration) were determined after arm's length negotiations between the parties and after making reference to the prevailing market rates. Details of the transactions contemplated under the Acquisition Agreement were set out in the announcement of the Company dated 3 March 2016.

As at the date of such announcement, Mr. Wu Jian Nong is an executive Director and chief executive officer of the Company and vice chairman of the Board. Mr. Wu Jian Nong indirectly owns as to approximately 88.47% of interest in Shi Ming and is a director of Shi Ming. Mr. Xu Shui Sheng is an executive Director of the Company and indirectly owns as to approximately 1.53% of interest in Shi Ming. Ms. Shen Meng Hong is an executive Director of the Company and is a director of Shi Ming. Accordingly Mr. Wu Jian Nong, Mr. Xu Shui Sheng, Ms. Shen Meng Hong and Shi Ming are connected persons of the Company under the GEM Listing Rules. Therefore, the Acquisition Agreement and the transaction contemplated thereunder constitute as a connected transaction of the Company.

Pursuant to Rule 20.79 of the GEM Listing Rules, the transactions contemplated under the Acquisition Agreement and the Tenancy Agreement (collectively, the "Aggregated Transaction") are required to be aggregated.

As the applicable percentage ratios in respect of the Aggregated Transaction are less than 25% and the total consideration under the Aggregated Transaction is less than HK$10,000,000, the Aggregated Transaction constitutes connected transactions of the Company and is subject to the reporting and announcement requirements but is exempted from the Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

All independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors have also confirmed in writing to the Board that the above continuing connected transactions:

(1) have been approved by the Company's board of directors;

(2) are in accordance with the pricing policies of the Group in all material respects;

(3) have been entered into in accordance with the relevant agreements governing the transactions; and

(4) have not exceeded the relevant annual caps as disclosed.

Directors' Report (continued)

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 62% of the total sales for the Year and sales to the largest customer included therein amounted to approximately 36% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for approximately 36% of the total purchases for the Year and purchase from the Group's largest supplier included therein amounted to approximately 15% of the total purchases for the Year.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors who held office during the year ended 31 March 2017 and as at the date of this report were:

Executive Directors
Mr. Wu Jian Nong *(Chairman and Chief Executive Officer)*
(redesignated from vice chairman to chairman on 11 August 2016)
Ms. Shen Meng Hong
Mr. Xu Shui Sheng
Mr. Zhou Jian Ming *(appointed on 18 October 2016)*
Mr. Wu Kai Char *(resigned on 18 October 2016)*
Ms. Wong Wai Ling *(resigned on 18 October 2016)*

Independent Non-Executive Directors
Ms. Wang Xiaoxiong
Mr. Zhou Yuan *(appointed on 13 March 2017)*
Mr. Yuan Jiangang *(appointed on 26 May 2017)*
Mr. Pao Ping Wing *(resigned on 13 March 2017)*
Ms. Au Man Yi *(resigned on 26 May 2017)*

Mr. Wu Jian Nong, Ms. Shen Meng Hong, Mr. Xu Shui Shen, Mr. Zhou Jian Ming, Mr. Zhou Yuan and Mr. Yuan Jiangang will retire at the AGM and, all being eligible, will offer themselves for re-election at the said meeting.

DIRECTORS' SERVICE CONTRACTS

Ms. Shen Meng Hong, being an executive Director, has entered into a service contract with the Company for a term of three years commencing on 3 August 2015 and may be terminated by either party by giving not less than two months' prior written notice.

Each of Mr. Wu Jian Nong and Mr. Xu Shui Sheng, all being executive Directors has entered into a service contract with the Company for a term of three years commencing on 1 October 2015 and may be terminated by either party by giving not less than two months' prior written notice.

Mr. Zhou Jian Ming, being an executive Director, has entered into a service contract with the Company for a term of three years commencing on 18 October 2016 and may be terminated by either party by giving not less than two months' prior written notice.

Ms. Wang Xiaoxiong, being an independent non-executive Director, has entered into a service contract with the Company for a term of two years commencing from 5 February 2016 and may be terminated by either party by giving at least one month's written notice.

Mr. Yuan Jiangang, being an independent non-executive Director, has entered into a service contract with the Company for a term of three years commencing from 26 May 2017 and may be terminated by either party by giving at least one month's written notice.

Mr. Zhou Yuan, being an independent non-executive Director, has entered into a service contract with the Company for a term of three years commencing from 13 March 2017 and may be terminated by either party by giving at least one month's written notice.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of Directors' and other senior management are disclosed in the section headed "Biographies of Directors and Senior Management" on pages 20 to 23 of this annual report.

DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Details of the Directors' emoluments and the five individuals with the highest emoluments are set out in notes 9 and 10 to the consolidated financial statements in this annual report.

Directors' Report (continued)

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and considers that all the independent non-executive Directors are independent of the Company.

INTERESTS OF DIRECTORS IN CONTRACTS

Saved as disclosed under the section "Connected Transactions" above and disclosed in note 35 under the heading "Related Party Transactions" to the consolidated financial statements, (i) no contract of significance to which the Company, or any of its holding company or subsidiaries was a party, and in which a Director or an entity connected with such Director had a material interest, whether directly or indirectly, subsisted at 31 March 2017 or at any time during the year ended 31 March 2017; (ii) no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the GEM Listing Rules) of the Company or any of its subsidiaries; and (iii) no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, none of the Directors or any of their respective close associates has any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

All the independent non-executive Directors are delegated with the authority to review the non-competition confirmation given by, among others, Rise Triumph Limited, Mr. Wu Jian Nong, Mr. Xu Shui Sheng, Mr. Zhou Jian Ming and Ms. Shen Meng Hong. The independent non-executive Directors were not aware of any non-compliance of the non-competition confirmation given by Rise Triumph Limited, Mr. Wu Jian Nong, Mr. Xu Shui Sheng, Mr. Zhou Jian Ming and Ms. Shen Meng Hong during the year ended 31 March 2017 and up to the date of this annual report.

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.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2017 are set out in note 33 to the consolidated financial statements.

The Group has participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group has not participated in any other pension schemes.

THE INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2017, the interests and short positions of the Directors and chief executive of the Company in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the shares

Name of Directors	Capacity	Number of ordinary shares interested	Approximate percentage of shareholding
Mr. Wu Jian Nong	Interest of controlled corporation (Note)	115,387,000	28.21%
Mr. Xu Shui Sheng	Beneficial owner	3,355,500	0.82%
Ms. Shen Meng Hong	Beneficial owner	1,118,500	0.27%

Note:

These 115,387,000 shares are totally held by Rise Triumph Limited and Signkey Group Limited, of which 111,850,000 shares are held by Rise Triumph Limited and 3,537,000 shares are held by Signkey Group Limited. Mr. Wu Jian Nong beneficially owns 96% and 85% of the issued share capital of Rise Triumph Limited and Signkey Group Limited respectively. Mr. Wu Jian Nong is deemed, or taken to be, interested in all the Shares held by Rise Triumph Limited and Signkey Group Limited respectively for the purpose of the SFO.

Save as disclosed above and so far as is known to the Directors, as at 31 March 2017, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under 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 as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Directors' Report (continued)

THE INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES AND THE INTERESTS AND SHORT POSITIONS OF OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 31 March 2017 and so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of Shareholders	Nature of Interest	Number of Shares interested	Approximate percentage of shareholding
Rise Triumph Limited (Note 1)	Beneficial owner	111,850,000	27.35%
Victory Stand (Note 2)	Beneficial owner	103,000,000	25.18%

Note:

1. These 111,850,000 Shares are held by Rise Triumph Limited. Mr. Wu Jian Nong beneficially owns 96% of the issued share capital of Rise Triumph Limited. Mr. Wu Jian Nong is deemed, or taken to be, interested in all the Shares held by Rise Triumph Limited for the purpose of the SFO.

2. These 103,000,000 Shares are held by Victory Stand International Limited ("Victory Stand"), the entire issued share capital of which is beneficially owned as to 73.88%, 17.41% and 8.71% by Mr. Wu Kai Char, Ms. Wong Wai Ling and Mr. Lui Hung Yen, respectively. Mr. Wu Kai Char is deemed to be interested in all the Shares held by Victory Stand under the SFO.

Save as disclosed above, as at 31 March 2017, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company under Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

During the Year, none of the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or their close associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 2 November 2013. The following is a summary of the principal terms and conditions of the Share Option Scheme.

1. 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, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

2. Participants

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or parttime), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group.

3. Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of all the Shares in issue as at the Date of Listing (i.e. a total of 40,000,000 Shares representing 9.78% of the issued share capital of the Company as at the date of this report).

4. Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

5. Term of subscription of Shares upon exercise of Share Options

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

Directors' Report (continued)

SHARE OPTION SCHEME (continued)

6. Minimum period for which an option must be held before it can be exercised

The Board may in its absolute discretion set a minimum period for which an option must be held and performance targets must be achieved before an option can be exercised.

7. Time of acceptance and the amount payable on acceptance of the option

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 the Company on acceptance of the offer for the grant of an option is HK$1.

8. Basis of determining the subscription price

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.

9. Life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on 2 November 2013 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

Since the adoption of the Share Option Scheme up to the date of this report, no share options have been granted pursuant to the Share Option Scheme.

There is no option outstanding, granted, cancelled and lapsed during the Year.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 37 to 47 of this annual report.

CHARITABLE DONATIONS

No charitable or other donations were made by the Group during the year (2016: HK$600,000).

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float during the Year and up to the date of this annual report as required under the GEM Listing Rules.

AUDITORS

HLB Hodgson Impey Cheng Limited has acted as auditors of the Company for the years ended 31 March 2017, 2016, 2015 and 2014. The Company has not changed its external auditors during the Year and up to the date of this report.

HLB Hodgson Impey Cheng Limited will retire and being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as auditors of the Company is to be proposed at the AGM.

Directors' Report (continued)

EVENTS AFTER THE REPORTING PERIOD

On 30 March 2017, Tonking New Energy Technology (Shanghai) Limited ("Shanghai Tonking"), an indirect wholly-owned subsidiary of the Group, and Quzhou Jingneng New Energy Technology Company Limited*（衢州景能新能源科技有限公司）("Quzhou Jingneng") entered into an agreement, pursuant to which Quzhou Jingneng has conditionally agreed to acquire and Shanghai Tonking has conditionally agreed to sell the 40% equity interest of Jin Zhai Tong Jing New Energy Limited ("Jin Zhai"), an wholly-owned subsidiary of Shanghai Tonking at the consideration of approximately RMB19,736,000 (equivalent to approximately HK$22,230,000). The transaction completed on 18 May 2017.

On 19 May 2017, the Company and the subscriber ("Subscriber") entered into a warrant subscription agreement ("Warrant Subscription Agreement") whereby the Company has agreed to issue and the Subscriber has agreed to subscribe for 65,000,000 warrants ("Warrant(s)") at the issue price of HK$0.05 per Warrant. Each Warrant carries the right to subscribe for one warrant share ("Warrant Share(s)"). The issuance of Warrants will entitle the warrant holders to subscribe for an aggregate of up to 65,000,000 Warrant Shares at a Subscription Price of HK$4.45 per Warrant Share (subject to adjustment pursuant to the terms of the Instrument), during the exercise period. The Warrant Shares will be issued under general mandate.

On 5 June 2017 (after trading hours), the Company and the Subscriber entered into a supplemental agreement ("Warrant Subscription Supplemental Agreement") to the Warrant Subscription Agreement, pursuant to which the issue of the Warrants will now be further subject to the passing by the Shareholders, at an extraordinary general meeting to be convened by the Company, of the necessary resolutions approving the Warrant Subscription Agreement and the transactions contemplated thereunder, including the issue of the Warrants and grant of a specific mandate to the Directors for issuance of the Warrants and allotment and issuance of the Warrant Shares upon the exercise of the warrant subscription rights.

For more details, please refer to the announcements of the Company dated 22 May 2017 and 5 June 2017.

Save for the above, the Directors are not aware of any other significant event requiring disclosure that has taken place subsequent to 31 March 2017 and up to the date hereof.

PERMITTED INDEMNITY PROVISIONS

The Articles of Association of the Company provide that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all losses or liabilities which they incur or sustain as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted. The Company has taken out and maintained directors' liability insurance which provides appropriate coverage for the Directors and directors of the subsidiaries of the Company.

By Order of the Board
Tonking New Energy Group Holdings Limited
Wu Jian Nong
Chairman

Hong Kong, 26 June 2017

* *For identification purpose only*

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group's corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM Listing Rules.

During the year ended 31 March 2017, the Company has complied with all the applicable code provisions of the Code contained in Appendix 15 to the GEM Listing Rules, except for the deviation from code provision A.2.1 as described below.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wu Jian Nong, being the executive director of the Company since 1 October 2015, has been appointed as the Chief Executive Officer and Vice Chairman of the Company on 21 November 2015 and redesignated from vice chairman to chairman of the Board on 11 August 2016. Mr. Wu Jian Nong served as the chairman of the Board and chief executive officer of the Company with effect from 11 August 2016. The Company does not at present separate the roles of the chairman of the Board and chief executive officer of the Company. As Mr. Wu Jian Nong has extensive experience in the renewable energy industry and is responsible for the overall corporate strategies, planning and business development of the Company, the Board believes that vesting the roles of both chairman and chief executive officer in the same individual can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies, notwithstanding that it is a deviation from code provision A.2.1 of the Code.

The Board believes that the balance of power and authority are adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals, with three of them being independent non-executive Directors, and will continue to review the effectiveness of the corporate governance structure of the Group and assess whether changes, including the separation of the roles of chairman and chief executive officer, are necessary.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

In accordance with article 108(a) of the articles of association (the "Articles") of the Company, at each annual general meeting ("AGM") one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years.

In accordance with article 112 of the Articles, any director appointed by the Board either 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 and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

Pursuant to 108(a) of the Articles, Mr. Wu Jian Nong, Ms. Shen Meng Hong and Mr. Xu Shui Sheng, and pursuant to 112 of the Articles, Mr. Zhou Jian Ming, Mr. Zhou Yuan and Mr. Yuan Jiangang will retire from office as Directors at the forthcoming AGM, and being eligible, offer themselves for re-election.

Corporate Governance Report (continued)

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS (continued)

Ms. Shen Meng Hong, being an executive Director, has entered into a service contract with the Company for a term of three years commencing on 3 August 2015 and may be terminated by either party by giving not less than two months' prior written notice.

Each of Mr. Wu Jian Nong and Mr. Xu Shui Sheng, all being executive Directors has entered into a service contract with the Company for a term of three years commencing on 1 October 2015 and may be terminated by either party by giving not less than two months' prior written notice.

Ms. Wang Xiaoxiong, being an independent non-executive Director, has entered into a service contract with the Company for a term of two years commencing from 5 February 2016 and may be terminated by either party by giving at least one month's written notice.

Mr. Yuan Jiangang, being an independent non-executive Director, has entered into a service contract with the Company for a term of three years commencing from 26 May 2017 and may be terminated by either party by giving at least one month's written notice.

Mr. Zhou Yuan, being an independent non-executive Director, has entered into a service contract with the Company for a term of three years commencing from 13 March 2017 and may be terminated by either party by giving at least one month's written notice.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors during the year ended 31 March 2017.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 March 2017 and as at the date of this report are as follows:

Board of Directors

Executive Directors

Mr. Wu Jian Nong *(Chairman and Chief Executive Officer)*
(redesignated from vice chairman to chairman on 11 August 2016)
Ms. Shen Meng Hong
Mr. Xu Shui Sheng
Mr. Zhou Jian Ming *(appointed on 18 October 2016)*
Mr. Wu Kai Char *(resigned on 18 October 2016)*
Ms. Wong Wai Ling *(resigned on 18 October 2016)*

Independent Non-Executive Directors

Ms. Wang Xiaoxiong
Mr. Zhou Yuan *(appointed on 13 March 2017)*
Mr. Yuan Jiangang *(appointed on 26 May 2017)*
Mr. Pao Ping Wing *(resigned on 13 March 2017)*
Ms. Au Man Yi *(resigned on 26 May 2017)*

The brief biographic details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 20 to 23 of this annual report.

The Company has complied with the requirements under Rule 5.05(1) and (2), and 5.05A of the GEM Listing Rules during the year ended 31 March 2017. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 5.09 of the GEM Listing Rules.

FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the Shareholders as a whole while taking into account the interests of other stakeholders. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

The Board is also delegated with the corporate governance functions under code provision D.3.1 of the Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

Corporate Governance Report (continued)

BOARD MEETINGS AND PROCEDURES

The Board has met regularly and board meetings were held at least four times a year at approximately quarterly intervals. Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision A.1.3 of the Code, at least 14 days' notice has been given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments before the final version of which are endorsed in the subsequent Board meeting. Minutes of board meetings were kept by company secretary and open for inspection at any reasonable time on reasonable notice by any director.

Details of the attendance of the Board meetings, audit committee (the "Audit Committee") meetings, remuneration committee (the "Remuneration Committee") meetings, nomination committee (the "Nomination Committee") meetings, compliance committee (the "Compliance Committee") meetings and general meetings of the Company held during the year ended 31 March 2017 are summarized as follows:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Compliance Committee meeting	General meeting
Executive Directors						
Mr. Wu Kai Char *(Note 1)*	5/15	N/A	N/A	N/A	N/A	1/1
Mr. Wu Jian Nong	21/25	N/A	N/A	N/A	N/A	–/1
Ms. Wong Wai Ling *(Note 2)*	8/15	N/A	N/A	3/3	1/1	1/1
Ms. Shen Meng Hong	25/25	N/A	N/A	1/1	N/A	1/1
Mr. Xu Shui Sheng	21/25	N/A	N/A	N/A	N/A	–/1
Mr. Zhou Jian Ming *(Note 3)*	10/10	N/A	N/A	N/A	N/A	–/–
Independent Non-executive Directors						
Mr. Pao Ping Wing *(Note 4)*	9/22	5/5	3/3	4/4	N/A	1/1
Ms. Au Man Yi *(Note 5)*	11/25	4/5	3/3	N/A	N/A	1/1
Ms. Wang Xiaoxiong	24/25	5/5	3/3	4/4	1/1	–/1
Mr. Zhou Yuan *(Note 6)*	–/3	–/–	–/–	–/–	–/–	–/–
Mr. Yuan Jiangang *(Note 7)*	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

1. Mr. Wu Kai Char resigned as an executive Director on 18 October 2016.
2. Ms. Wong Wai Ling resigned as an executive Director on 18 October 2016.
3. Mr. Zhou Jian Ming was appointed as an executive Director on 18 October 2016.
4. Ms. Pao Ping Wing resigned as an independent non-executive Director on 13 March 2017.
5. Ms. Au Man Yi resigned as an independent non-executive Director on 26 May 2017.
6. Mr. Zhou Yuan was appointed as an independent non-executive Director on 13 March 2017.
7. Mr. Yuan Jiangang was appointed as an independent non-executive Director on 26 May 2017.

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Compliance Committee, with written terms of reference which are available for viewing on the website of the Company to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

AUDIT COMMITTEE

The Company established the Audit Committee on 2 November 2013 with written terms of reference which are in compliance with the code provisions of the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company.

The Audit Committee currently has three members comprising Mr. Yuan Jiangang (Chairman), Ms. Wang Xiaoxiong and Mr. Zhou Yuan, all being independent non-executive Directors.

During the year ended 31 March 2017, the Audit Committee had reviewed the final results of the Group for the year ended 31 March 2016, the first quarterly results of the Group for the three months ended 30 June 2016, the interim results of the Group for the six months ended 30 September 2016 and the third quarterly results of the Group for the nine months ended 31 December 2016. The Audit Committee had reviewed the Group's internal controls for the year ended 31 March 2017. The Group's final results for the year ended 31 March 2017 had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this annual report, and confirmed that this annual report complies with the GEM Listing Rules.

The Audit Committee held 5 meetings during the year ended 31 March 2017. Details of the attendance of the Audit Committee meetings are set out above.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 2 November 2013 with written terms of reference which are in compliance with the code provisions of the Code. The primary duties of the Remuneration Committee include mainly: (i) reviewing the terms of the remuneration package of each Director and member of senior management, and making recommendations to the Board regarding any adjustment thereof; and (ii) reviewing and evaluating the performance of individual executive Directors for determining the amount of bonus (if any) payable to them. No Director shall participate in any discussion about his or her own remuneration.

Corporate Governance Report (continued)

REMUNERATION COMMITTEE (continued)

The Remuneration Committee currently consists of three members, namely, Mr. Zhou Yuan (Chairman), Ms. Wang Xiaoxiong and Mr. Yuan Jiangang, all being independent non-executive Directors. The remuneration of the Directors was determined with reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group. The Remuneration Committee makes recommendations to the Board on remuneration packages of individual executive Directors and the members of senior management.

The Remuneration Committee held 3 meetings during the year ended 31 March 2017. Details of the attendance of the Remuneration Committee meetings are set out above.

At the meetings, the Remuneration Committee had reviewed the remuneration policies of the Directors and the senior executives and reviewed the remuneration packages and performance of the Directors during the year ended 31 March 2017.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 2 November 2013 with written terms of reference which are in compliance with code provisions of the Code. The primary duties of the Nomination Committee include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to make recommendations to the Board regarding any proposed change, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors, and make recommendations to be Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive.

The Nomination Committee consists of three members, namely, Ms. Wang Xiaoxiong (Chairman), Mr. Zhou Yuan, both of which are independent non-executive Directors, and Ms. Shen Mong Hong, an executive Director. The majority of the members of the Nomination Committee are independent non-executive Directors.

The Nomination Committee held 4 meetings during the year ended 31 March 2017. Details of the attendance of the Nomination Committee meetings are set out above.

At the meetings, the Nomination Committee had reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, reviewed the qualifications of the Directors, the progress on the implementation of the board diversity policy and other related matters of the Company.

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

(1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and

(2) the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

(3) The Board has also set measurable objectives to implement the diversity policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs.

COMPLIANCE COMMITTEE

The Company established the Compliance Committee on 2 November 2013 with written terms of reference. The primary duties of the Compliance Committee are to establish, execute, monitor and maintain the compliance system of the Group and to conduct education and training programmes on compliance matters.

The Compliance Committee comprises of three members, namely Ms. Shen Meng Hong (Chairman), an executive Director, Ms. Wang Xiaoxiong and Mr. Zhou Yuan, both of them are independent non-executive Director.

The Compliance Committee held 1 meeting during the year ended 31 March 2017. Details of the attendance of the Compliance Committee meeting are set out above.

At the meeting, the Compliance Committee had reviewed and discussed the compliance system of the Group and reviewed the compliance manuals of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

All independent non-executive Directors have been appointed for a fixed term. Every Director is subject to re-election on retirement by rotation in accordance with the articles of association of the Company. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and still considers the independent non-executive Directors to be independent as at the date of this annual report.

PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

In compliance with code provision A.6.5 of the Code, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors had provided the relevant record to the Company.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

Corporate Governance Report (continued)

COMPANY SECRETARY

Mr. Cheng Man For ("Mr. Cheng"), an associate member of the Hong Kong Institution of Certified Public Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries, was the company secretary of the Company since 7 September 2015. All Directors have access to the advice and services of the company secretary. The company secretary reports to the Chairman on board governance matters, and are responsible for ensuring that board procedures are followed, and for facilitating communications among Directors as well as with Shareholders and management.

SENIOR MANAGEMENT'S REMUNERATION

For the year ended 31 March 2017, senior management of the Company comprises 2 individuals.

The senior management's remuneration payment of the Company during the year ended 31 March 2017 falls within the following bands:

	Number of individuals
HK$500,000 or below	2

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements of the Group for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the independent auditors' report contained in this annual report. The Directors adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

EXTERNAL AUDITORS' REMUNERATION

The Company engaged HLB Hodgson Impey Cheng Limited as its external auditors for the year ended 31 March 2017. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors. During the year ended 31 March 2017, the fee payable to HLB Hodgson Impey Cheng Limited in respect of its statutory audit services provided to the Company was HK$1,500,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for overseeing the risk management and internal control systems on an ongoing basis, and ensuring the effectiveness of the risk management and internal control systems of the Group. The internal control systems are designed to meet the Group's particular needs and the risks to which they are exposed. It should be noted that the Group's internal control system is designed to provide reasonable but not absolute assurance against material misstatement or loss; to manage but not eliminate risks of failure in operational systems or failure to achieve business objectives.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management of the Group maintains and monitors the internal control systems on an ongoing basis. The Board has conducted an annual review of the effectiveness of the risk management and internal control system of the Group and is satisfied that the Group has fully complied with the Code in respect of internal controls during the year ended 31 March 2017 and its risk management and internal control systems are effective and adequate.

During the year ended 31 March 2017, the Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs.

During the year ended 31 March 2017, the Group appointed Baker Tilly Hong Kong Risk Assurance Limited ("Baker Tilly") to :

1. assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and

2. independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by Baker Tilly to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of Baker Tilly as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate.

OUR ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Group established its enterprise risk management framework in the year. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. The Group's risk management framework follows the COSO Enterprise Risk Management – Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversights risk management and internal audit functions.

Corporate Governance Report (continued)

OUR RISK CONTROL MECHANISM

The Group adopts a "three lines of defence" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and independent internal audit outsourced to and conducted by Baker Tilly. The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, and management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

The Group's risk management activities are performed by management on an ongoing process. The Company has adopted risk management policy and procedures (the "Risk Management Policy"), the effectiveness of the Group's risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensure that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually to further enhance the Group's internal control and risk management systems as appropriate.

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 17 of the GEM Listing Rules as well as Part XIVA of the Securities and Futures Ordinance ("SFO"). The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, and staff training arrangements, etc.

THE SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 64 of the articles of association of the Company, extraordinary general meetings shall be convened on the requisition of one or more Shareholders 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 company secretary of the Company 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.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In order to keep Shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the Shareholders through financial reports and announcements. The Company has established its own corporate website (www.tonkinggroup.com.hk) as a channel to facilitate effective communication with its Shareholders and the public. The Company will continue to enhance communications and relationships with its shareholders and investors. A shareholders communication policy was adopted on 2 November 2013 to comply with code provision E.1.4 of the Code.

Shareholders, investors and interested parties can make enquiries directly to the Company through the following e-mail: info@tonkinggroup.com.hk.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Tonking New Energy Group Holdings Limited

Address:	Unit No. 1002, 10/F, Shui On Centre, 6-8 Harbour Road, Hong Kong
Tel:	(852) 2505-5566
Fax:	(852) 2505-6669
E-mail:	info@tonkinggroup.com.hk

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant committees of the Board, where appropriate, to answer the Shareholders' questions.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to article 113 of the articles of association of the Company, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a 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 no earlier than the day after the dispatch 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 procedures for Shareholders to propose a person for election as a Director is posted on the website of the Company.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There had been no significant changes in the constitutional documents of the Company during the year ended 31 March 2017.

Independent Auditors' Report

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central Hong Kong

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

OPINION

We have audited the consolidated financial statements of Tonking New Energy Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 123, which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated statement of profit or loss, 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 *Auditors' 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 MATTER

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.

KEY AUDIT MATTER (continued)

Accounting for construction contract revenue, gross profit and related receivables and liabilities

We identified the revenue and profit recognition of contracting service and gross amounts due from customers for contract works as a key audit matter due to significant management judgements and estimation are required in the determination of the total outcome of the contracting service contracts as well as the percentage of completion of contracting service.

Our audit procedures in relation to construction revenue and cost recognised and gross amounts due from customers for contract work mainly included:

- Reviewing the contract sum and budgeted costs to respective signed contracts and budgets prepared by management.
- Obtaining an understanding from management about how the budgets were prepared and the respective stage of completion were determined.
- Reviewing the reasonableness of key judgements inherent in the budgets and assessing the reliability of the budgets by comparing the actual outcome against management's estimation of completed contracts on a sample basis.
- Obtaining the certificates issued by customers to evaluate the reasonableness of percentage of completion as at year end and testing the revenue recognition based on percentage of completion and the calculation of contract costs and gross profits.
- Checking the amounts due from customers for contract work by agreeing the amount of progress billings, on a sample basis, to billings issued to customers.

Independent Auditors' Report (continued)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS 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 directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Independent Auditors' Report (continued)

AUDITORS' 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 auditors' report that includes our opinion. This report is made 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.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditors' Report (continued)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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 auditors' 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.

The engagement director on the audit resulting in this independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 26 June 2017

Consolidated Statement of Profit or Loss

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	5	834,970	402,685
Other income	6	11,115	563
Cost of food and beverage	8	(71,641)	(77,794)
Contract costs	8	(508,469)	(112,208)
Staff costs		(95,119)	(83,564)
Depreciation and amortisation		(11,238)	(16,334)
Property rentals and related expenses		(62,794)	(60,807)
Fuel and utility expenses		(5,382)	(6,190)
Administrative and other operating expenses		(47,132)	(33,473)
Finance costs	7	(1,713)	(785)
PROFIT BEFORE TAX	8	42,597	12,093
Income tax expense	11	(16,673)	(7,243)
PROFIT FOR THE YEAR		25,924	4,850
Attributable to:			
Owners of the Company		25,992	5,078
Non-controlling interests		(68)	(228)
		25,924	4,850
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	13	6.40	1.27

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
PROFIT FOR THE YEAR	25,924	4,850
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(7,948)	487
Other comprehensive (expense)/income, net of tax	(7,948)	487
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	17,976	5,337
Attributable to:		
Owners of the Company	18,044	5,565
Non-controlling interests	(68)	(228)
	17,976	5,337

Details of the dividends for the year are disclosed in note 12 to the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	69,289	20,996
Intangible assets	15	3,356	605
Deposits paid for acquiring property, plant and equipment		–	1,344
Non-current rental deposits	20	15,838	11,622
Total non-current assets		88,483	34,567
CURRENT ASSETS			
Inventories	17	24,343	45,460
Gross amounts due from customers for contract works	18	145,455	139,159
Trade receivables	19	197,919	1,268
Prepayments, deposits and other receivables	20	56,996	169,439
Due from related parties	21	2,380	2,680
Due from non-controlling shareholders	26	41	123
Tax recoverable		1,420	995
Pledged deposits	22	–	19,081
Cash and cash equivalents	22	106,740	21,991
Total current assets		535,294	400,196
CURRENT LIABILITIES			
Trade and bills payables	23	78,863	53,809
Other payables and accruals	24	122,819	222,878
Due to related parties	21	219,076	14,092
Due to non-controlling shareholders	26	1,750	1,912
Promissory note	27	37,447	–
Provision for reinstatement costs	32	3,869	3,508
Tax payable		72	6,188
Total current liabilities		463,896	302,387
NET CURRENT ASSETS		71,398	97,809
TOTAL ASSETS LESS CURRENT LIABILITIES		159,881	132,376

Consolidated Statement of Financial Position (continued)

As at 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT LIABILITIES			
Promissory note	27	–	36,785
Provision for reinstatement costs	32	3,495	5,239
Total non-current liabilities		3,495	42,024
Net assets		156,386	90,352
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	4,090	4,000
Reserves		147,987	81,975
		152,077	85,975
Non-controlling interests		4,309	4,377
Total equity		156,386	90,352

Approved and authorised for issue by the Board of Directors on 26 June 2017.

Wu Jian Nong
Director

Shen Meng Hong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Attributable to owners of the Company								
	Issued capital HK$'000 (Note 29)	**Share premium** HK$'000 (Note 31)	**Other reserves** HK$'000 (Note 31)	**Statutory reserves** HK$'000 (Note 31)	**Exchange fluctuation reserves** HK$'000 (Note 31)	**Retained profits/ (Accumulated losses)** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 April 2015	4,000	27,847	51,567	–	–	(3,004)	80,410	4,605	85,015
Profit for the year	–	–	–	–	–	5,078	5,078	(228)	4,850
Other comprehensive income for the year	–	–	–	–	487	–	487	–	487
Total comprehensive income for the year	–	–	–	–	487	5,078	5,565	(228)	5,337
Transfer to statutory reserves	–	–	–	1,770	–	(1,770)	–	–	–
At 31 March 2016 and 1 April 2016	4,000	27,847	51,567	1,770	487	304	85,975	4,377	90,352
Profit for the year	–	–	–	–	–	25,992	25,992	(68)	25,924
Other comprehensive income for the year	–	–	–	–	(7,948)	–	(7,948)	–	(7,948)
Total comprehensive income for the year	–	–	–	–	(7,948)	25,992	18,044	(68)	17,976
Transfer to statutory reserves	–	–	–	4,864	–	(4,864)	–	–	–
Issue of shares upon placing	90	50,040	–	–	–	–	50,130	–	50,130
Shares issued expenses	–	(2,072)	–	–	–	–	(2,072)	–	(2,072)
At 31 March 2017	4,090	75,815	51,567	6,634	(7,461)	21,432	152,077	4,309	156,386

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	42,597	12,093
Adjustments for:		
Amortisation of intangible assets	283	319
Depreciation	10,955	16,015
Write-off of items of property, plant and equipment	3,805	1,229
Loss on disposal of items of property, plant and equipment	1,406	–
Loss on disposal of subsidiaries	–	484
Interest income	(392)	(358)
Finance costs	1,713	785
Reversal of provision for reinstatement costs	(1,952)	–
	58,415	30,567
Decrease/(increase) in inventories	21,117	(42,825)
Increase in gross amounts due from customers for contract works	(6,296)	(139,159)
(Increase)/decrease in trade receivables	(196,651)	23
Decrease/(increase) in prepayments, deposits and other receivables	98,571	(148,341)
Decrease in amount due from ultimate holding company	–	8
Decrease/(increase) in amounts due from related parties	300	(737)
Decrease in amounts due from non-controlling shareholders	82	2
Decrease/(increase) in pledged deposits	19,081	(19,081)
Increase in trade and bills payables	25,054	47,248
(Decrease)/increase in other payables and accruals	(100,059)	216,387
Increase in amounts due to related parties	204,718	14,517
Decrease in amounts due to non-controlling shareholders	(162)	–
Decrease in provision of reinstatement costs	–	(95)
Cash generated from/(used in) operations	124,170	(41,486)
Interest paid	(785)	–
Income tax paid	(25,001)	(1,971)
Net cash flows generated from/(used in) operating activities	98,384	(43,457)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		392	110
Purchases of items of property, plant and equipment		(64,730)	(9,270)
Decrease/(increase) in loan receivables		11,000	(11,000)
Deposits paid for acquiring property, plant and equipment		–	(1,344)
Proceeds from sales of property, plant and equipment		820	–
Disposal of subsidiaries		–	679
Payment for intangible assets		(3,034)	(98)
Net cash flows used in investing activities		(55,552)	(20,923)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of promissory note		–	36,000
Proceeds from issue of shares upon placing		50,130	–
Expenses on issue of shares		(2,072)	–
Net cash flows from financing activities		48,058	36,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		90,890	(28,380)
Effect of foreign exchange rate changes, net		(6,141)	519
Cash and cash equivalents at beginning of year		21,991	49,852
CASH AND CASH EQUIVALENTS AT END OF YEAR		106,740	21,991
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	106,740	21,991

Notes to the Financial Statements

For the year ended 31 March 2017

1. GENERAL INFORMATION

Tonking New Energy Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 21 June 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 21 November 2013.

The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is Unit No.1002, 10/F, Shui On Centre, 6-8 Harbour Road, Hong Kong. The Company is an investment holding company. The Group is principally engaged in the renewable energy business in the People's Republic of China (the "PRC") and the operation and management of restaurants and cake shops in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements HKFRSs 2012-2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs, that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[2]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKAS 40 (Amendments)	Transfers of Investment Property[3]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[3]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[3]
HKFRS 16	Leases[4]
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[3]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2018.
4 Effective for annual periods beginning on or after 1 January 2019.
5 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 9 Financial Instruments (continued)

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company are in the process of assessing the impact of the application of HKFRS 9. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group completes a detailed review.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when they become effective.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 15 Revenue from Contracts with Customers (continued)

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company are in the process of assessing the impact of the application of HKFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group completes a detailed review.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when they become effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 Leases (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Furthermore, extensive disclousures are required by HKFRS 16.

The directors of the Company are in the process of assessing the impact of the application of HKFRS 16. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 16 until the Group completes a detailed review.

The Group is in the process of assessing the potential impact of the other new and amendments to HKFRSs upon initial application but is not yet in a position to state whether the other new and amendments to HKFRSs will have a significant impact on the Group's financial performance and position.

3. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statement includes applicable disclosures required by the Rules Governing the Listing Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value.

These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

3. BASIS OF PREPARATION (continued)

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimate are significant to the consolidated financial statement.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

3. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management of the Company that makes strategic decision.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the year in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the year in which it arises.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(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 Group or to the parent of the Group.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 5 years
Furniture and fixtures	2 years to 5 years
Catering and other equipment	2 years to 5 years
Motor vehicles	2 years to 4 years
Generator and related equipments	5 years to 20 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon 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 year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 the end of each reporting period.

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 the 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.

Franchise cost

Acquired franchises are stated at cost less any impairment loses and are amortised on the straight-line basis over their unexpired periods of the franchise agreements.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to ten years, commencing from the date when the products are put into commercial production.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, pledged deposits, trade receivables, deposits and other receivables, gross amounts due from customers for contract works and amounts due from related parties and non-controlling shareholders.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of intangible assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all intangible assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, promissory note and amounts due to related parties and non-controlling shareholders.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at bank which are not restricted as to use.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provisions is recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from construction contracts, on the stage of completion basis provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion is established by reference to surveys of work performed;

(b) from restaurant operations, when catering services have been provided to the customers. Payments that are related to services not yet rendered are deferred and recognised as deferred income in liability. Upon expiry of prepaid amounts on unused coupons or cash vouchers, the corresponding deferred income is fully recognised as forfeited income;

(c) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(d) service income, including from operating services provided under service concession arrangements, is recognised when services are provided; and

(e) sale of electricity revenue is recognised when electricity is supplied to the provincial grid companies.

Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts (continued)

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statement of financial position as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade receivables". Amounts received before the related work is performed are presented as "Advance from customers" under "Other payables and accruals".

Other employee benefits

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, that is, 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. The capitalisation of such borrowing costs ceases when 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Interim dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The foreign currencies are currencies other than the Hong Kong dollars. As at the end of each of the reporting period, the assets and liabilities of foreign operation are translated into the presentation currency of the Company at the exchange rates prevailing ruling at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

4. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Judgements (continued)

Research and development costs

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at the end of the reporting period. In addition, all internal activities related to the research and development of new software systems are continuously monitored by the Group's management.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances.

Construction contracts

Revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 18 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

4. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of capitalised development costs

Determining whether capitalised development costs are impaired requires an estimation of the recoverable amount determined by the value in use of the capitalised development costs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the capitalised development costs and a suitable discount rate in order to calculate the present value. The Group carries out an impairment review assessment on the capitalised development costs at the end of each reporting period and no impairment charge was recognised during the year ended 31 March 2017.

Provision for reinstatement costs

Provision for reinstatement costs is estimated and reassessed at the end of each reporting period with reference to the latest available quotation from independent contractors. Estimation based on current market information may vary over time and could differ from the actual reinstatement cost upon closures or relocation of existing premises occupied by the Group.

5. SEGMENT INFORMATION AND REVENUE

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments for the year ended 31 March 2017 as follows:

(a) Renewable energy business segment is principally engaged in provision of a one-stop value added solution for photovoltaic power stations (EPC, maintenance and support, and operation), sales of the patented tracking photovoltaic systems and investment in building its own photovoltaic power stations.

(b) Restaurant operations segment is operation and management of restaurants and cake shops in Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude corporate and other unallocated assets as they are assets managed on a group basis.

Segment liabilities exclude promissory note and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

5. SEGMENT INFORMATION AND REVENUE (continued)

Year ended 31 March 2017	Renewable energy business HK$'000	Restaurant operations HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	593,413	241,557	834,970
Segment result	55,203	(2,979)	52,224
Reconciliation:			
Finance costs			(1,713)
Corporate and other unallocated expenses			(7,914)
Profit before tax			42,597
Segment assets	548,935	68,917	617,852
Reconciliation:			
Corporate and other unallocated assets			5,925
Total assets			623,777
Segment liabilities	382,986	44,600	427,586
Reconciliation:			
Promissory note			37,447
Corporate and other unallocated liabilities			2,358
Total liabilities			467,391
Other segment information:			
Interest income	291	1	292
Depreciation and amortisation	2,298	8,915	11,213
Capital expenditure*	58,898	9,280	68,178
Unallocated:			
Interest income			100
Depreciation			25
Capital expenditure*			155

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

5. SEGMENT INFORMATION AND REVENUE (continued)

Year ended 31 March 2016	Renewable energy business HK$'000	Restaurant operations HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	138,180	264,505	402,685
Segment result	23,474	174	23,648
Reconciliation:			
Finance costs			(785)
Loss on disposal of subsidiaries			(484)
Corporate and other unallocated expenses			(10,286)
Profit before tax			12,093
Segment assets	352,910	68,082	420,992
Reconciliation:			
Corporate and other unallocated assets			13,771
Total assets			434,763
Segment liabilities	264,930	39,978	304,908
Reconciliation:			
Promissory note			36,785
Corporate and other unallocated liabilities			2,718
Total liabilities			344,411
Other segment information:			
Interest income	70	35	105
Depreciation and amortisation	8	16,158	16,166
Capital expenditure*	890	10,641	11,531
Unallocated:			
Interest income			253
Depreciation			168
Capital expenditure*			1,213

* Capital expenditure consists of additions to property, plant and equipment.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

5. SEGMENT INFORMATION AND REVENUE (continued)

Geographic Information

(a) Revenue from external customers

	2017 HK$'000	2016 HK$'000
Hong Kong	**241,557**	264,505
Mainland China	**593,413**	138,180
	834,970	402,685

(b) Non-current assets

	2017 HK$'000	2016 HK$'000
Hong Kong	**15,518**	20,713
Mainland China	**57,127**	2,232
	72,645	22,945

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

5. SEGMENT INFORMATION AND REVENUE (continued)

Information about major customers

For the year ended 31 March 2017, revenue of approximately HK$425,712,000 (2016: approximately HK$75,735,000) from two (2016: one) customers in the renewable energy business segment contributing over 10% of the total revenue of the Group.

For the years ended 31 March 2017 and 2016, there was no revenue from a single customer in the restaurant operations segment contributing over 10% of the total revenue of the Group.

Revenue represents amounts received and receivable from the operation of restaurants, net of sales discounts and an appropriate proportion of contract revenue of construction contracts business during the year. An analysis of revenue is as follows:

	2017 HK$'000	2016 HK$'000
Revenue		
Restaurant operations	241,557	264,505
Construction contracts	593,413	138,180
	834,970	402,685

6. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Interest income	392	358
Forfeited income	6	9
Sponsorship income	52	91
Management income	1,005	–
Sale of electricity income	3,926	–
Service income	3,656	–
Others	2,078	105
	11,115	563

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

7. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest expense on promissory note	1,447	785
Interest expense on financial liabilities not classified at fair value through profit or loss	266	–
	1,713	785

8. PROFIT BEFORE TAX

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

	2017 HK$'000	2016 HK$'000
Cost of food and beverage	71,641	77,794
Amortisation of intangible assets	283	319
Auditors' remuneration	1,500	1,500
Depreciation	10,955	16,015
Lease payments under operating lease in respect of land and buildings:		
Minimum lease payments	59,995	57,673
Contingent rents	748	1,128
	60,743	58,801
Contract costs:		
Cost of construction materials and supplies	408,041	100,913
Subcontracting charges	58,581	6,580
Labour costs	29,746	1,338
Transportation	2,338	2,331
Machine and vehicle rental expenses	5,274	388
Other expenses	4,489	658
	508,469	112,208

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

8. PROFIT BEFORE TAX (continued)

	2017 HK$'000	2016 HK$'000
Employee benefits expenses (excluding directors' and chief executive's remuneration):		
Salaries, wages and other benefits	86,115	75,913
Retirement benefit scheme contributions	5,147	3,461
	91,262	79,374
Write-off of items of property, plant and equipment	3,805	1,229
Reversal of provision for reinstatement costs	(1,952)	–
Loss on disposal of items of property, plant and equipment	1,406	–
Loss on disposal of subsidiaries	–	484
Foreign exchange differences, net	(53)	(286)
Donation	–	600

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 HK$'000	2016 HK$'000
Fees	2,720	4,069
Other emoluments:		
Salaries, allowances and benefits in kind	1,073	111
Retirement benefit scheme contributions	64	10
	3,857	4,190

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2017					
Mr. Zhou Yuan					
(Appointed on 13 March 2017)	5	–	–	–	5
Ms. Au Man Yi	100	–	–	–	100
Mr. Pao Ping Wing					
(Resigned on 13 March 2017)	95	–	–	–	95
Ms. Wang Xiaoxiong	70	–	–	–	70
	270	–	–	–	270
Year ended 31 March 2016					
Ms. Au Man Yi	100	–	–	–	100
Mr. Pao Ping Wing	100	–	–	–	100
Ms. Wang Xiaoxiong					
(Appointed on 5 February 2016)	11	–	–	–	11
Ms. Yuan Haiyang					
(Appointed on 3 November 2015					
and resigned on 5 February 2016)	78	–	–	–	78
Mr. Chan Wai Hung Clarence					
(Retired on 21 November 2015)	64	–	–	–	64
	353	–	–	–	353

There were no other emoluments payable to the independent non-executive directors during the year (2016: nil).

(b) Non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2016					
Mr. Kwok Chun Chung					
(Appointed on 3 August 2015 and					
resigned on 1 October 2015)	19	–	–	–	19

There were no other emoluments payable to the non-executive director during the year (2016: nil).

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(c) Executive directors and the chief executive

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2017					
Mr. Wu Jian Nong					
(Chief Executive Officer)	365	446	–	19	830
Mr. Wu Kai Char					
(Resigned on 18 October 2016)	600	–	–	–	600
Ms. Wong Wai Ling					
(Resigned on 18 October 2016)	600	–	–	–	600
Ms. Shen Meng Hong	308	308	–	19	635
Mr. Xu Shui Sheng	433	177	–	11	621
Mr. Zhou Jian Ming					
(Appointed on 18 October 2016)	144	142	–	15	301
	2,450	1,073	–	64	3,587
Year ended 31 March 2016					
Mr. Wu Kai Char	1,200	–	–	–	1,200
Ms. Wong Wai Ling	1,200	–	–	–	1,200
Ms. Shen Meng Hong					
(Appointed on 3 August 2015)	397	–	–	–	397
Mr. Wu Jian Nong					
(Chief Executive Officer)					
(Appointed on 1 October 2015)	300	111	–	3	414
Mr. Xu Shui Sheng					
(Appointed on 1 October 2015)	300	–	–	–	300
Ms. Chen Chen					
(Resigned on 1 October 2015)	300	–	–	7	307
	3,697	111	–	10	3,818

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2016: nil).

During the years ended 31 March 2017 and 2016, no remuneration was paid by the Group to the directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

10. FIVE HIGHEST PAID EMPLOYEES

Four (2016: Two) of the five highest paid employees were directors of the Company for the year ended 31 March 2017.

Details of the remuneration of the remaining non-director and non-chief executive, highest paid individuals for each of the years are analysed as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	540	1,670
Discretionary bonuses	90	181
Retirement benefit scheme contributions	18	54
	648	1,905

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of individuals	
	2017	2016
Nil to HK$1,000,000	1	3

During the years ended 31 March 2017 and 2016, no remuneration was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at a rate of 16.5% (2016: 16.5%) during the year. Enterprise income tax is provided on the estimated taxable profits of the subsidiaries established in the PRC at a rate of 25% during the year.

	2017 HK$'000	2016 HK$'000
Current tax – Hong Kong		
Charge for the year	23	1,396
Over-provision in prior years	–	(20)
Current tax – PRC	16,650	5,867
Total tax charge for the year	16,673	7,243

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2017 HK$'000	2016 HK$'000
Profit before tax	42,597	12,093
Tax at Hong Kong profits tax rate at 16.5%	7,029	1,995
Tax effect of different tax rate of subsidiaries operating in the PRC	5,988	1,994
Tax effect of expenses not deductible for tax purpose	4,052	1,868
Tax effect of temporary differences not recognised	(1,684)	1,649
Over-provision in prior years	–	(20)
Tax concession granted by local authority	(621)	(81)
Tax effect of tax losses not recognised	1,911	15
Utilisation of tax losses previously not recognised	(2)	(177)
Income tax expense for the year	16,673	7,243

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

12. DIVIDENDS

During the year ended 31 March 2017, no dividends have been paid or declared by the Company (2016: nil).

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	25,992	5,078

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	405,893	400,000

For the years ended 31 March 2017 and 2016, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2017 and 2016.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Catering and other equipment HK$'000	Motor vehicles HK$'000	Generator and related equipment HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2017							
At 31 March 2016 and 1 April 2016:							
Cost	62,797	10,989	21,232	855	–	–	95,873
Accumulated depreciation	(50,033)	(6,931)	(17,743)	(170)	–	–	(74,877)
Net carrying amount	12,764	4,058	3,489	685	–	–	20,996
At 1 April 2016, net of accumulated depreciation	12,764	4,058	3,489	685	–	–	20,996
Additions	7,408	4,958	2,429	1,451	42,715	6,338	65,299
Write-off	(3,610)	(80)	(115)	–	–	–	(3,805)
Disposal during the year	(1,335)	–	(887)	(4)	–	–	(2,226)
Reclassification	–	–	231	(231)	–	–	–
Exchange realignment	–	(6)	–	(14)	–	–	(20)
Depreciation provided during the year	(6,349)	(1,661)	(1,157)	(405)	(1,383)	–	(10,955)
At 31 March 2017, net of accumulated depreciation	8,878	7,269	3,990	1,482	41,332	6,338	69,289
At 31 March 2017:							
Cost	48,575	13,446	15,664	2,028	42,715	6,338	128,766
Accumulated depreciation	(39,697)	(6,177)	(11,674)	(546)	(1,383)	–	(59,477)
Net carrying amount	8,878	7,269	3,990	1,482	41,332	6,338	69,289
31 March 2016							
At 1 April 2015:							
Cost	56,114	9,627	20,471	170	–	–	86,382
Accumulated depreciation	(39,602)	(5,282)	(14,800)	(163)	–	–	(59,847)
Net carrying amount	16,512	4,345	5,671	7	–	–	26,535
At 1 April 2015, net of accumulated depreciation	16,512	4,345	5,671	7	–	–	26,535
Additions	8,341	2,167	1,555	681	–	–	12,744
Write-off	(531)	(239)	(459)	–	–	–	(1,229)
Disposal of subsidiaries	(647)	(360)	(37)	–	–	–	(1,044)
Exchange realignment	–	–	1	4	–	–	5
Depreciation provided during the year	(10,911)	(1,855)	(3,242)	(7)	–	–	(16,015)
At 31 March 2016, net of accumulated depreciation	12,764	4,058	3,489	685	–	–	20,996
At 31 March 2016:							
Cost	62,797	10,989	21,232	855	–	–	95,873
Accumulated depreciation	(50,033)	(6,931)	(17,743)	(170)	–	–	(74,877)
Net carrying amount	12,764	4,058	3,489	685	–	–	20,996

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

15. INTANGIBLE ASSETS

	Development cost HK$'000	Franchise HK$'000	Total HK$'000
31 March 2017			
At 31 March 2016 and 1 April 2016:			
Cost	–	1,883	1,883
Accumulated amortisation	–	(1,278)	(1,278)
Net carrying amount	–	605	605
At 1 April 2016, net of accumulated amortisation	–	605	605
Additions	3,034	–	3,034
Amortisation provided during the year	–	(283)	(283)
At 31 March 2017, net of accumulated amortisation	3,034	322	3,356
At 31 March 2017:			
Cost	3,034	1,883	4,917
Accumulated amortisation	–	(1,561)	(1,561)
Net carrying amount	3,034	322	3,356
31 March 2016			
At 1 April 2015:			
Cost	–	2,341	2,341
Accumulated amortisation	–	(1,515)	(1,515)
Net carrying amount	–	826	826
At 1 April 2015, net of accumulated amortisation	–	826	826
Additions	–	98	98
Amortisation provided during the year	–	(319)	(319)
At 31 March 2016, net of accumulated amortisation	–	605	605
At 31 March 2016:			
Cost	–	1,883	1,883
Accumulated amortisation	–	(1,278)	(1,278)
Net carrying amount	–	605	605

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

16. INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Company name	Place of incorporation/ establishment/ operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Glory Kind Development Limited^	BVI	US$1,000	100% (direct)	Investment holding
Elite Sheen Holdings Limited	BVI	US$1,000	100% (direct)	Investment holding
Team Glory International Limited	BVI	US$8	100% (indirect)	Investment holding
Top Aim Enterprises Ltd	BVI	US$10	100% (indirect)	Investment holding
Still Profit Limited	BVI	US$8	100% (indirect)	Investment holding
Progress Vantage Holdings Limited	BVI	US$1,004	100% (indirect)	Investment holding
Rise Dragon International Limited	BVI	US$1,000	100% (indirect)	Investment holding
Grand Century Inc Limited	Hong Kong	HK$10,000	100% (indirect)	Restaurant operation
H-View F & B Group Limited	Hong Kong	HK$10,000	100% (indirect)	Management service
Harlan's Holding Limited	Hong Kong	HK$20,000,000	95% (indirect)	Restaurant operation
Inakaya (HK) Limited	Hong Kong	HK$10,000	100% (indirect)	Restaurant operation
J & H Company Limited	Hong Kong	HK$10,000	82% (indirect)	Inactive
JC Group (HK) Limited	Hong Kong	HK$10,000	100% (indirect)	Restaurant operation
PHO24 (TST) Limited	Hong Kong	HK$10,000	65% (indirect)	Restaurant operation
Turbo Trade Limited	Hong Kong	HK$10,000	100% (indirect)	Restaurant operation
Ginji (TST) Limited	Hong Kong	HK$10,000	100% (indirect)	Restaurant operation
Ginji (MK) Limited	Hong Kong	HK$10,000	90% (indirect)	Restaurant operation
PHO Hoi An Limited	Hong Kong	HK$10,000	65% (indirect)	Restaurant operation

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

16. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ establishment/ operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
PHO Hoi An (Mikiki) Limited	Hong Kong	HK$10,000	80% (indirect)	Restaurant operation
JC Group Management Limited	Hong Kong	HK$2	100% (indirect)	Management service
JC Group Holding Limited	Hong Kong	HK$10,000	100% (indirect)	Management service
Tonking New Energy Group Co., Limited	Hong Kong	HK$1	100% (indirect)	Investment holding
Tonking New Energy Technology (Shanghai) Limited[1]	PRC	HK$633,820,000 (RMB100,146,163 has been paid up)	100% (indirect)	Research and development of solar power technology, the EPC business and sale of photovoltaic mounting and tracking system materials
Jiang Shan Shi Tong Jing Guang Fu Limited[2]	PRC	RMB39,700,000	100% (indirect)	Research and development of solar power technology, the EPC business and sale of photovoltaic mounting and tracking system materials
Jin Zhai Xian Tong Jing New Energy Limited[2]	PRC	RMB40,000,000 (RMB35,610,000 has been paid up)	100% (indirect)	Research and development of solar power technology, sale of photovoltaic mounting and tracking system materials and sale of electricity

16. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ establishment/ operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Nan Zhang Xian Tong Jing New Energy Limited[2]	PRC	RMB200,000,000 (RMB300,000 has been paid up)	100% (indirect)	Not yet commence business
Hong Ze Tong Jing New Energy Limited[2]	PRC	RMB30,000,000 (RMB4,100,000 has been paid up)	100% (indirect)	Not yet commence business
Huai Nan Tong Jing New Energy Limited[2]	PRC	RMB50,000,000 (RMB3,700,000 has been paid up)	100% (indirect)	Not yet commence business
Lin Yi New Energy Limited[2]	PRC	RMB50,000,000 (RMB300,000 has been paid up)	100% (indirect)	Not yet commence business

1 wholly-owned foreign enterprise

2 private limited liability company

^ At 31 March 2017, the issued shares/registered capital of the company were pledged under shares charges to secured promissory note of the Group (note 27)

17. INVENTORIES

	2017 HK$'000	2016 HK$'000
Materials for construction contracts	22,628	42,695
Food and beverage, and other operating items for restaurant operations	1,715	2,765
	24,343	45,460

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

18. GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2017 HK$'000	2016 HK$'000
Gross amounts due from customers for contract works	**145,455**	139,159
Contract costs incurred plus recognised profits less recognised losses to date	**322,960**	140,185
Less: Progress billings received and receivable	**(177,505)**	(1,026)
	145,455	139,159

19. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**197,919**	1,268

For the catering business, the Group's trading terms with its customers are mainly on cash, credit card and smart card settlement.

For the renewable energy business, the Group's trading terms with its customers are mainly on credit. The credit period granted to the customers ranges from 30 days to 90 days.

At 31 March 2017, retentions held by customers for contract works included in trade receivables amounted to approximately HK$16,933,000.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Accounts receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Within one month	**93,597**	979
Over one month but less than three months	**2,169**	85
Over three months	**102,153**	204
	197,919	1,268

The trade receivables included in the above aging analysis are considered not impaired.

19. TRADE RECEIVABLES (continued)

The aged analysis of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	189,521	1,268
Less than one month past due	3,248	–
One to three months past due	1,103	–
More than three months but within one year past due	4,047	–
	197,919	1,268

Receivables that were neither past due or impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments	4,418	3,418
Rental deposits	23,688	19,971
Prepayments to supplier for purchase of materials	14,511	92,048
Utility and other deposits *(note ii)*	5,493	5,437
Loan receivables *(note i)*	–	11,000
Other receivables	24,724	50,531
	72,834	182,405
Current portion included in prepayments, deposits and other receivables	(56,996)	(169,439)
Non-current portion included in rental and other deposits	15,838	12,966

Notes:

(i) As at 31 March 2016, the loan receivables from independent third parties were unsecured, bore interest at 6% per annum and repayable within one year.

(ii) Included in other deposits is a balance of approximately HK$nil (2016: approximately HK$600,000) paid to Jiang Shan Shi Ming Crystal Limited（江山世明水晶玻璃有限公司）, which is controlled by Mr. Wu Jian Nong (executive director and chief executive officer), Mr. Xu Shui Sheng (executive director) and Ms. Shen Meng Hong (executive director) for acquiring property, plant and equipment.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

21. BALANCES WITH RELATED PARTIES

An analysis of the amounts due from related parties is as follows:

	31 March 2017 HK$'000	Maximum amount outstanding during the year HK$'000	1 April 2016 HK$'000
Amounts due from related parties			
Mr. Wu Kai Char *(note i and ii)*	–	517	517
Mr. Zhang Fuzhu *(note ix)*	–	1,032	1,032
Ms. Wong Wai Ling *(note ii)*	–	111	111
Supreme Glory (HK) Limited *(note vi)*	426	1,061	802
JC & Associates Limited *(note vi)*	718	718	–
Rich Base Limited *(note iii)*	75	75	75
Cheerful Time Holdings Limited *(note iii)*	–	13	13
Inakaya (China) Limited *(note vii)*	1,134	1,134	113
Victory Stand International Limited *(note i)*	27	37	17
	2,380		2,680

	31 March 2016 HK$'000	Maximum amount outstanding during the year HK$'000	1 April 2015 HK$'000
Amounts due from related parties			
Mr. Wu Kai Char *(note i and ii)*	517	725	538
Mr. Zhang Fuzhu *(note ix)*	1,032	1,222	965
Ms. Wong Wai Ling *(note ii)*	111	151	97
Supreme Glory (HK) Limited *(note vi)*	802	909	248
JC & Associates Limited *(note vi)*	–	20	20
Rich Base Limited *(note iii)*	75	75	75
Cheerful Time Holdings Limited *(note iii)*	13	13	–
Inakaya (China) Limited *(note vii)*	113	2,013	–
Victory Stand International Limited *(note i)*	17	17	–
	2,680		1,943

21. BALANCES WITH RELATED PARTIES (continued)

An analysis of the amounts due to related parties is as follows:

	2017 HK$'000	2016 HK$'000
Amounts due to related parties		
Mr. Wu Kai Char *(note i and ii)*	**13,945**	6,999
Ms. Wong Wai Ling *(note ii)*	**7,954**	7,019
FLC Holdings Limited *(note v)*	**49**	49
Good View International Investment Limited *(note iv)*	**25**	25
Great Lead Inc Limited *(note vi)*	**1,946**	–
江山世明水晶玻璃有限公司 *(note x)*	**177**	–
浙江同景新能源集團有限公司 *(note viii)*	**194,980**	–
	219,076	14,092

Notes:

(i) Substantial shareholder of the Company

(ii) Former executive director of the Company

(iii) Controlled by Mr. Wu Kai Char

(iv) Controlled by Mr. Zhang Fuzhu

(v) Controlled by Ms. Wong Wai Ling

(vi) Controlled by Mr. Wu Kai Char and Ms. Wong Wai Ling

(vii) Indirectly controlled by Mr. Wu Kai Char

(viii) Controlled by Mr. Wu Jian Nong

(ix) Formerly substantial shareholder of the Company

(x) Controlled by Mr. Wu Jian Nong, Mr. Xu Shui Sheng and Ms. Shen Meng Hong

Balances with related parties are unsecured, interest-free and repayable on demand.

None of the amounts due from related parties is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2017 HK$'000	2016 HK$'000
Cash and bank balances	106,740	21,991
Pledged deposits – current	–	19,081
	106,740	41,072
Less: Pledged deposits	–	(19,081)
Cash and bank balances	106,740	21,991
Cash and cash equivalents denominated in:		
HK$	20,916	19,348
Renminbi ("RMB")	85,797	2,566
United States dollars ("US$")	13	63
Japanese Yen ("JPY")	14	14
	106,740	21,991

Cash at banks earn interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$85,797,000 (2016: approximately HK$2,566,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

For the year ended 31 March 2016, certain customers of construction contracts undertaken by the Group require Tonking New Energy Technology (Shanghai) Limited ("Tonking Shanghai"), an indirectly wholly-owned subsidiary to issue guarantees for the performance of contract works in the form of surety bonds of approximately HK$19,081,000. Tonking Shanghai has unconditionally and irrevocably agreed to indemnify to the bank institution that issue such surety bonds for claims and losses the bank institution may incur. The surety bonds will be released when the contracts are completed or substantially completed pursuant to the relevant contract.

For the year ended 31 March 2016, the Group had deposits of approximately HK$19,081,000 pledged to the bank institution for the issuance of surety bonds.

23. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Within one month	34,040	52,114
Over one month but less than two months	14,646	1,211
Over two months	30,177	484
	78,863	53,809

The trade and bills payables are non-interest-bearing and generally have payment terms of 30-90 days.

Included in the Group's trade payables as at 31 March 2017 is a balance of approximately HK$153,000 (2016: approximately HK$740,000) payable to JC & Associates Limited.

Included in the Group's trade payables as at 31 March 2017 is a balance of approximately HK$nil (2016: approximately HK$18,000) payable to Well-In Hotel Supplies Company Limited.

These relevant trade payables are repayable on similar credit terms to those offered by the major suppliers of the Group.

24. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Deferred income	42	76
Other payables	26,926	3,340
Value-added tax payables	–	3,145
Accruals	10,108	10,076
Advance from customers for construction contracts	85,107	205,599
Customer deposits	636	642
	122,819	222,878

Other payables are non-interest-bearing.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

25. BALANCE WITH ULTIMATE HOLDING COMPANY

	31 March 2016 HK$'000	Maximum amount outstanding during the year HK$'000	1 April 2015 HK$'000
Due from ultimate holding company	–	8	8

Amounts due from ultimate holding company are unsecured, interest-free and repayable on demand.

26. BALANCES WITH NON-CONTROLLING SHAREHOLDERS

	2017 HK$'000	2016 HK$'000
Due from non-controlling shareholders of subsidiaries	41	123
Due to non-controlling shareholders of subsidiaries	1,750	1,912

At 31 March 2017 and 2016, amounts due from non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

At 31 March 2017 and 2016, amounts due to non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

The amounts due from non-controlling shareholders of subsidiaries are neither past due nor impaired.

27. PROMISSORY NOTE

The analysis of the carrying amount of promissory note is as follows:

	2017 HK$'000	2016 HK$'000
Promissory note	37,447	36,785
Analysis into:		
Within 1 year	37,447	–
Over 1 year but less than 2 years	–	36,785
	37,447	36,785

Significant terms and repayment schedule of promissory note:

On 9 September 2015, Glory Kind Development Limited ("Glory Kind"), a subsidiary of the Company, issued promissory note with a principal amount of HK$36,000,000, which is secured by a charge on all the issued shares of Glory Kind, bear interest at 4% per annum and has a maturity period of 2 years from the date of issue.

Interest expense on the promissory note is calculated using the effective interest method by applying the effective interest rate of 3.92% to the liability component.

	2017 HK$'000	2016 HK$'000
At beginning of year	36,785	–
Issued during the year	–	36,000
Interest expenses *(note 7)*	1,447	785
Interest paid	(785)	–
At end of year	37,447	36,785

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

28. DEFERRED TAX

Certain subsidiaries of the Group have tax losses arising in Hong Kong in total of approximately HK$13,434,000 and HK$1,842,000 as at 31 March 2017 and 2016, respectively, that are available indefinitely for offsetting against their future taxable profits of those companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2017, deferred tax liabilities of approximately HK$4,384,000 (2016: approximately HK$1,593,000) have not been provided for in the consolidated financial statements in respect of the temporary difference attributable to the undistributed profits of other PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reserve in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. ISSUED CAPITAL

	Number of ordinary share of HK$0.01 each	**Nominal value of ordinary shares** HK$'000
Authorised:		
At 1 April 2015, 31 March 2016 and 31 March 2017	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2015 and 31 March 2016	400,000,000	4,000
Issue of shares upon placing	9,000,000	90
At 31 March 2017	409,000,000	4,090

Note:

On 4 August 2016, 9,000,000 ordinary shares of HK$0.01 each were issued by way of placing to not less than six placees at the placing price of HK$5.57 per share for cash totalling HK$50,130,000. The net proceeds from the placing were approximately HK$48,058,000. The excess of issue price over the par value of the shares of approximately HK$47,968,000 were credited to the share premium account of the Company.

30. SHARE OPTION SCHEMES

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 2 November 2013 as to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors from time to time on the basis of the directors' opinion as to their contribution to the development and growth of the Group.

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company, in any 12-month period up to date of grant must not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

30. SHARE OPTION SCHEMES (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approval by the independent non-executive directors of the Company (excluding independent non-executive director who is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates would result in the total number of shares issued and to be issued upon exercise of all options already granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The offer of a grant of share options must be accepted in writing within 7 days from the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 7 days from the date of the offer).

The subscription price shall be a price solely determined by the directors of the Company and notified to a participant and shall be at least the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share on the date of grant of the option.

The Scheme shall be valid and effective for a period of ten years commencing on 2 November 2013, subject to early termination provisions contained in the Scheme.

No share options were granted since the adoption of the Scheme and there were no share option outstanding as at 31 March 2017 and 2016.

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of these financial statements.

(i) Share premium

Share premium arose from the issue of shares at a price greater than the par value of the shares and can be utilised for future bonus issue.

(ii) Other reserves

The other reserves represent the reserve arising pursuant to the Group's reorganisation. The other reserves represent the difference between the nominal value of the issued capital of its subsidiaries arising from the Corporate Reorganisation.

(iii) Statutory reserves

According to the PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their respective after-tax profit, calculated in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that the fund is maintained at a minimum level of 25% of the registered capital.

(iv) Exchange fluctuation reserves

The exchange fluctuation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserves are dealt with in accordance with the accounting policies set out in note 3.1 to the financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

32. PROVISION FOR REINSTATEMENT COSTS

	2017 HK$'000	2016 HK$'000
At beginning of year	8,747	5,948
Additional provision	569	2,894
Reversed during the year	(1,952)	–
Settled during the year	–	(95)
At end of year	7,364	8,747
Analysis into		
Current portion	3,869	3,508
Non-current portion	3,495	5,239
At end of year	7,364	8,747

Provision for reinstatement costs is recognised at the present value of expenditures expected to be required for the reinstatement of the properties used by the Group for its operations upon expiration of the relevant leases.

33. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all its qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at specified rate and capped at HK$1,500 (HK$1,250 prior to 1 June 2014) per month per person. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contributions payable in the future years.

The employees of the Group's subsidiaries which are operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contribution are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total contributions payable by the Group amounted to approximately HK$5,211,000 for the year ended 31 March 2017 (2016: approximately HK$3,471,000). The amount was recognised in the statement of profit or loss for the year ended 31 March 2017.

34. DISPOSAL OF SUBSIDIARIES

On 31 August 2015, the Group disposed its entire equity interest in Holy Charm Limited ("Holy Charm"), an indirect wholly-owned subsidiary to an independent third party at a cash consideration of HK$2,000,000.

On 18 September 2015, the Group disposed its entire interest in Cheerful Time Holdings Limited ("Cheerful Time"), an indirect wholly-owned subsidiary to Mr. Wu, the executive director of the Company, at a consideration of HK$1. Inakaya (China) Limited, a wholly-owned subsidiary of Cheerful Time was disposed of accordingly.

	Holy Charm	**Cheerful Time**	**Total**
	HK$'000	HK$'000	HK$'000
Net assets disposed of:			
Property, plant and equipment	1,044	–	1,044
Cash and bank balances	1,256	65	1,321
Prepayments, deposits and other receivables	225	2,014	2,239
Due from fellow subsidiaries	–	900	900
Due to related parties	–	(1,000)	(1,000)
Due to intermediate holding company	–	(9)	(9)
Due to fellow subsidiaries	–	(2,011)	(2,011)
	2,525	(41)	2,484
(Loss)/gain on disposal of subsidiaries	(525)	41	(484)
	2,000	–	2,000
Settled by cash	2,000	–	2,000

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

34. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017 HK$'000	2016 HK$'000
Cash consideration	–	2,000
Cash and cash equivalents disposed of	–	(1,321)
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	–	679

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2017 HK$'000	2016 HK$'000
JC & Associates Limited *(note (i))*		
– purchase of food	3,722	4,246
– food processing fee	–	460
R & C Corporate Services Limited *(note (i))*		
– corporate service fee	112	524
Well-In Hotel Supplies Company Limited *(note (i))*		
– purchase of kitchen utensils	246	463
– purchase of property, plant and equipment	–	25
– administrative expenses	244	634
– management fee	324	–
Jiang Shan Shi Ming Crystal Limited *(note (ii))*		
– rental expenses	2,122	–
– acquisition of property, plant and equipment	4,588	–

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that those related party transactions were conducted in the ordinary course of business of the Group.

35. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

(i) Those related companies are controlled by Mr. Wu Kai Char and/or Ms. Wong Wai Ling.

(ii) The related company is controlled by Mr. Wu Jian Nong, Mr. Xu Shui Sheng and Ms. Shen Meng Hong, executive directors of the Company.

(b) Compensation of key management personnel of the Group, including directors' and chief executive's remuneration as disclosed in note 9 to the financial statements, is as follows:

	2017 HK$'000	2016 HK$'000
Short term employee benefits	4,353	5,238
Post-employment benefits	82	52
	4,435	5,290

36. OPERATING LEASE COMMITMENTS

The Group leases certain of its restaurants, office premises and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to three years.

At 31 March 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	33,765	50,745
In the second to fifth years, inclusive	25,344	30,183
	59,109	80,928

In addition, the operating lease rentals for certain restaurants are based on the higher of a fixed rental and contingent rent based on the revenue of the restaurants pursuant to the terms and conditions as set out in the respective tenancy agreements. As the future revenue of the restaurants could not be reliably determined, the minimum lease commitments are based on the fixed rental.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36 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 property, plant and equipment	1,530	5,404
	1,530	5,404

38. FINANCIAL INSTRUMENTS BY CATEGORY

	2017 HK$'000	2016 HK$'000
Assets as per consolidated statement of financial position		
Loans and receivables:		
– Trade receivables	197,919	1,268
– Financial assets included in prepayments, deposits and other receivables	53,905	85,595
– Due from related parties	2,380	2,680
– Due from non-controlling shareholders	41	123
– Pledged deposits	–	19,081
– Cash and cash equivalents	106,740	21,991
	360,985	130,738

	2017 HK$'000	2016 HK$'000
Liabilities as per consolidated statement of financial position		
At amortised costs:		
– Trade and bills payables	78,863	53,809
– Financial liabilities included in other payables and accruals	37,034	16,561
– Due to related parties	219,076	14,092
– Due to non-controlling shareholders	1,750	1,912
– Promissory note	37,447	36,785
	374,170	123,159

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, promissory note and advances from related parties and non-controlling shareholders. The Group has various other financial assets and liabilities such as trade receivables, deposits and other receivables, trade and bills payables, other payables and accruals and balances with non-controlling shareholders and related parties.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, foreign currency risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In additions, receivable balances are monitored on an ongoing basis and the Group's exposed to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, deposits and other receivables and balances with, non-controlling shareholders and related parties, arised from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 31 March 2017 and 2016, the Group trades with a large number of diversified customers and trading terms are mainly on cash, credit card and smart card settlement, hence, there is no significant concentration of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings. The Group currently does not have an interest rate hedging policy.

In virtue of the exposure on interest risk being minimal, the respective quantitative disclosures have not been prepared.

Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in the functional currency of the group entities. The foreign currency risk is considered not material and the Group therefore does not have a foreign currency hedging policy. However, the management monitors the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of promissory note, advances from related parties and non-controlling shareholders, and internally generated funds. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Within one year or on demand HK$'000	In the second year HK$'000	In the third to fifth year, inclusive HK$'000	Total HK$'000
As at 31 March 2017				
Trade and bills payables	78,863	–	–	78,863
Financial liabilities included in other payables and accruals	37,034	–	–	37,034
Due to related parties	219,076	–	–	219,076
Due to non-controlling shareholders	1,750	–	–	1,750
Promissory note	38,095	–	–	38,095
	374,818	–	–	374,818
As at 31 March 2016				
Trade payables	53,809	–	–	53,809
Financial liabilities included in other payables and accruals	16,561	–	–	16,561
Due to related parties	14,092	–	–	14,092
Due to non-controlling shareholders	1,912	–	–	1,912
Promissory note	–	38,880	–	38,880
	86,374	38,880	–	125,254

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values measurement

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, amounts due from/(to) ultimate holding company, related parties and non-controlling shareholders and financial liabilities included in other payables and accruals approximate to their carrying amounts due to the short-term maturities of these assets and liabilities.

Fair values hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liability for which fair values are disclosed:

As at 31 March 2017

	Fair value measurement using			
	Quoted price in active markets (Level 1) HK$'000	Significant observation inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Promissory note	–	–	37,175	37,175

As at 31 March 2016

	Fair value measurement using			
	Quoted price in active markets (Level 1) HK$'000	Significant observation inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Promissory note	–	–	35,091	35,091

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values hierarchy (continued)

Valuation techniques and inputs used in level 2 fair value measurements

As at 31 March 2017, the fair value of promissory note has been estimated as being the present values of future cash flows, discounted at interest rate of 5.82% per annum based the on yields of Hong Kong government bonds and treasury bills taking into account the credit spread of the Group as appropriate.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: nil).

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, return capital to the shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 2016.

The Group monitors capital using a gearing ratio, which is expressed as a percentage of total debts over capital. The gearing ratios as at the end of the reporting period were as follows:

	2017 HK$'000	2016 HK$'000
Due to related parties	**219,076**	14,092
Due to non-controlling shareholders	**1,750**	1,912
Promissory note	**37,447**	36,785
Total debts	**258,273**	52,789
Total equity	**156,386**	90,352
Total capital	**414,659**	143,141
Gearing ratio	**62%**	37%

40. EVENTS AFTER THE REPORTING PERIOD

On 30 March 2017, Tonking New Energy Technology (Shanghai) Limited ("Shanghai Tonking"), an indirect wholly-owned subsidiary of the Group, and Quzhou Jingneng New Energy Technology Company Limited （衢州景能新能源科技有限公司） ("Quzhou Jingneng") entered into an agreement, pursuant to which Quzhou Jingneng has conditionally agreed to acquire and Shanghai Tonking has conditionally agreed to sell the 40% equity interest of Jin Zhai Tong Jing New Energy Limited ("Jin Zhai"), an wholly-owned subsidiary of Shanghai Tonking at the consideration of approximately RMB19,736,000 (equivalent to approximately HK$22,230,000). The transaction completed on 18 May 2017.

On 19 May 2017, the Company and the subscriber ("Subscriber") entered into a warrant subscription agreement ("Warrant Subscription Agreement") whereby the Company has agreed to issue and the Subscriber has agreed to subscribe for 65,000,000 warrants ("Warrant(s)") at the issue price of HK$0.05 per Warrant. Each Warrant carries the right to subscribe for one warrant share ("Warrant Share(s)"). The issuance of Warrants will entitle the warrant holders to subscribe for an aggregate of up to 65,000,000 Warrant Shares at a Subscription Price of HK$4.45 per Warrant Share, during the exercise period. The Warrant Shares will be issued under general mandate.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSET		
Investments in subsidiaries	59,606	59,606
CURRENT ASSETS		
Due from subsidiaries	73,999	32,139
Cash and cash equivalents	44	44
Total current assets	74,043	32,183
CURRENT LIABILITIES		
Accruals	2,010	2,370
Due to subsidiaries	9,308	9,315
Due to related parties	10	10
Total current liabilities	11,328	11,695
NET CURRENT ASSETS	62,715	20,488
Net assets	122,321	80,094
EQUITY		
Issued capital	4,090	4,000
Reserves *(note)*	118,231	76,094
Total equity	122,321	80,094

Approved and authorised for issue by the board of Directors on 26 June 2017.

Wu Jian Nong
Director

Shen Meng Hong
Director

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary to the Company's reserve is as follows:

	Share premium HK$'000	Other reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
At 1 April 2015	27,847	59,591	(6,701)	80,737
Loss for the year	–	–	(4,643)	(4,643)
At 31 March 2016 and 1 April 2016	27,847	59,591	(11,344)	76,094
Issue of shares upon placing	50,040	–	–	50,040
Shares issued expenses	(2,072)	–	–	(2,072)
Loss for the year	–	–	(5,831)	(5,831)
At 31 March 2017	75,815	59,591	(17,175)	118,231

The Company's other reserve represents the difference between the fair value of the shares of Glory Kind Development Limited acquired pursuant to the Corporate Reorganisation on 31 October 2013 over the nominal value of the Company's shares issued in exchange therefore.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 June 2017.

Five Years' Financial Summary

A summary of the consolidated results and of the Group for the year ended 31 March 2013 and of the assets, liabilities as at 31 March 2013 have been extracted from the Company's prospectus. The consolidated results of the Group for the years ended 31 March 2014 to 2017 and the consolidated assets and liabilities of the Group as at 31 March 2014 to 2017 are set out in the audited financial statements.

RESULTS

	Year ended 31 March				
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
REVENUE	834,970	402,685	254,689	238,751	246,072
PROFIT/(LOSS) BEFORE TAX	42,597	12,093	2,534	(1,419)	15,507
Income tax expense	(16,673)	(7,243)	(1,833)	(1,839)	(3,836)
PROFIT/(LOSS) FOR THE YEAR	25,924	4,850	701	(3,258)	11,671
Profit/(Loss) attributable to:					
Owners of the Company	25,992	5,078	539	(5,976)	9,971
Non-controlling interests	(68)	(228)	162	2,718	1,700
	25,924	4,850	701	(3,258)	11,671

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
TOTAL ASSETS	623,777	434,763	109,518	108,572	84,670
TOTAL LIABILITIES	(467,391)	(344,411)	(24,503)	(23,408)	(60,070)
	156,386	90,352	85,015	85,164	24,600
EQUITY:					
Equity attributable to owners of the Company	152,077	85,975	80,410	79,871	15,597
Non-controlling interests	4,309	4,377	4,605	5,293	9,003
	156,386	90,352	85,015	85,164	24,600