



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)



**2019
ANNUAL
REPORT**

* For identification purpose only

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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

Independent Non-Executive Directors

Ms. Wang Xiaoxiong
Mr. Zhou Yuan
Mr. Yuan Jiangang

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

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Grand Cayman
KY1-1108
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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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 2019.

The Group has commenced a new segment of renewable energy business to seize the golden opportunity created by the growing demand of renewable energy in China in the fourth quarter of 2015. The renewable energy business could be categorised into: (i) provision of a one-stop value added solution for PV power stations (EPC, maintenance and support, and operation) and (ii) sales of the patented PV tracking mounting bracket systems. The Group actively participates in various projects such as PV fore-runner projects, PV poverty alleviation projects and distributed PV projects, helping to solve the problem of electricity consumption in poor areas.

Since its commencement, this business segment has achieved vigorous development and made positive contribution to the revenue of the Group. Here are some of our financial and business highlights for the renewable energy business for the year:

- Revenue from the renewable energy business for the year ended 31 March 2019 was approximately HK\$542 million;
- Profit from the renewable energy business for the year ended 31 March 2019 amounted to approximately HK\$25.3 million;
- Consolidated net asset value of the Group as at 31 March 2019 increased to approximately HK\$230 million.

It is the Group's target to become an enterprise with global influence in solar industry. The Group has accumulated a wealth of experience in the development, management and operation of photovoltaic industry, and intends to further strengthen its standing and capture additional market share through exploring opportunities to cooperate with different parties. 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 renewable energy sector over years and its careful analysis on national policies, the Group is able to provide customers with the smart models of ecological integration in the photovoltaic aspects of agriculture (forestry and animal husbandry) and fishery, and the personalized smart solutions for hilly land and rooftop.

During the year, the Group has successfully completed the disposal of food and beverage business in December 2018. The disposal enables the Group to focus its resources on the further development of the profit-making renewable energy business and the overall profitability of the Group would be expected to be enhanced upon completion. Furthermore, the net proceeds from the disposal would provide addition working capital for the Group and would be used to repay the Group's outstanding indebtedness, and will therefore enhance the cash flow and financial position of the Group.

In the future, the Group will step-up efforts on technology research, development and innovation and increase the input of research and development fund and staff, so as to develop more photovoltaic tracking systems applicable to different complicated topography at home and abroad and provide customers with a comprehensive and highly efficient solar power system integration solution.

Chairman's Statement (continued)

The Group will develop new products, research on new technologies, and continue to apply for new patents for the research and development initiatives. It expects to develop and improve 7 new products which includes a target of around 20 new applications of utility model patent each year in the upcoming two years.

The Group will strive to reach an annual total contracted installed capacity beyond 500 MW in the upcoming two years. The Group will strengthen brand recognition and market presence in the domestic market and at the same time promote the products of the Group to overseas market through enhanced marketing initiatives, thereby expanding the scope of operation of the Group which now predominantly focuses within the PRC.

CONCLUSION

The past year is a year of change for the Group after the completion of disposal of the food and beverage business. Looking ahead, the Group will continue upholding the current development strategy and expand its business horizon. The Group will endeavor to increase the efforts in expanding its renewable energy business and seek better investment opportunities to create greater value for the Group and its shareholders as a whole.

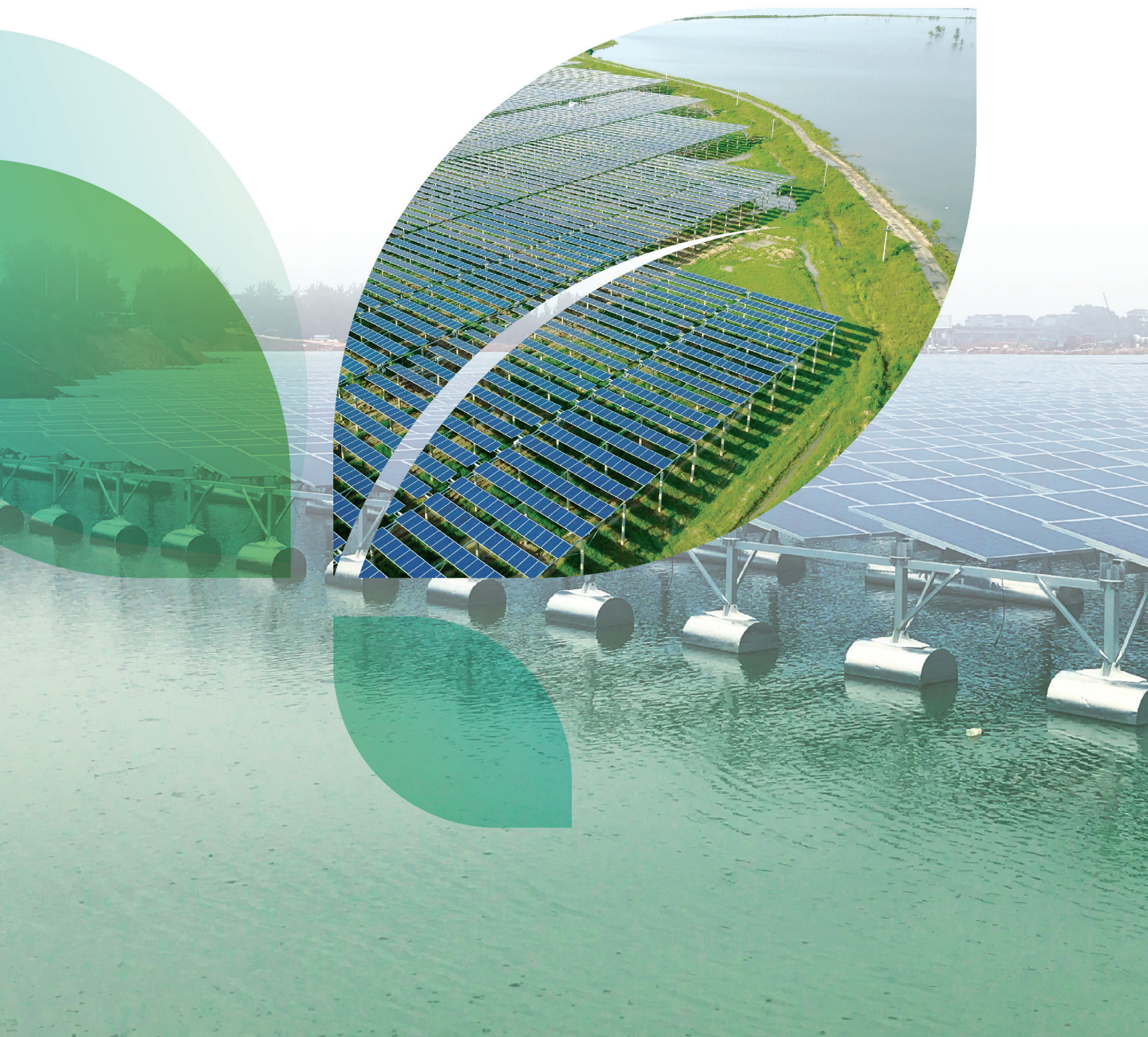
Finally, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and business partners for their interest in and continuous support of the Group and also to the directors, our incredible management team and employees for their commitment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

Wu Jian Nong

Chairman

Hong Kong, 26 June 2019

Management Discussion and Analysis



Management Discussion and Analysis

BUSINESS REVIEW

Renewable Energy Business

According to its development needs, the Group has adjusted its focus on renewable energy business including two major operations, namely, (i) provision of one-stop value-added solutions (EPC, maintenance and support, and operation) for photovoltaic power stations and (ii) sale of patented photovoltaic tracking mounting bracket systems.

As of 31 March 2019, Tonking New Energy Technology (Shanghai) Limited* (同景新能源科技(上海)有限公司) has four wholly-owned subsidiaries, namely, Tonking New Energy Technology (Jiangshan) Limited* (同景新能源科技(江山)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), Zhenping County Tong Jing New Energy Limited* (鎮平縣同景新能源有限公司) and Lin Yi Shi New Energy Limited* (臨沂市同景新能源有限公司), as well as one non-wholly owned subsidiary, namely, Jin Zhai Xian Tong Jing New Energy Limited* (金寨縣同景新能源有限公司) for the purpose of accelerating the Group's development in the renewable energy business.

During the reporting period, our renewable energy business recorded a total revenue of approximately HK\$542,314,000 (2018 corresponding period: HK\$685,947,000), which was mainly attributable to the provision of one-stop value-added solutions for photovoltaic power stations and sale of patented photovoltaic tracking mounting bracket systems. During the reporting period, the total contracted installed capacity of Group was 395MW.

During the reporting period,

(1) Signing of new contracts

- (1) On 2 April 2018, Tonking New Energy (Jiangshan) and Changshan County Huibu Town Shimuling Village Stock Economic Cooperative* (常山縣輝埠鎮石姆嶺村股份經濟合作社) entered into a contract in relation to the equipment procurement and installation project of the 1.56MWp photovoltaic power station in Shimuling Village, Huibu Town, Changshan County.
- (2) On 13 April 2018, Tonking New Energy (Shanghai) and Yuchai Marketing Limited* (玉柴行銷有限公司) entered into a contract in relation to the procurement of horizontal single axis solar trackers for A zone project and B zone project of Yuchai Guiping 40MWp agrivoltaic power generation project phase II.
- (3) On 16 April 2018, Tonking New Energy (Jiangshan) and Wanhuitong Energy Technology Co., Ltd.* (萬匯通能源科技有限公司) entered into a contract in relation to the procurement of horizontal single axis solar trackers for the 34.464MWp photovoltaic power generation project in Garzê Prefecture, Sichuan Province.

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

Renewable Energy Business (continued)

(1) Signing of new contracts (continued)

- (4) On 22 April 2018, Tonking New Energy (Jiangshan) and Ningxia Luyu Construction Co., Ltd.* (寧夏魯禹建設工程有限公司) entered into a contract in relation to the sale and purchase of the stationary mounts for sheepfolds for the 6.36MWp agrivoltaic power generation project in Yongning county, Ningxia.
- (5) In May 2018, Tonking New Energy (Jiangshan) and Jiangsu Ruiwang New Energy Technology Co., Ltd.* (江蘇瑞旺能源科技有限公司) entered into a contract in relation to the procurement of stationary mounts for the 5.9MWp photovoltaic power station project of the photovoltaic poverty-alleviation power plant in Luci town, Leping.
- (6) In June 2018, Tonking New Energy (Jiangshan) and Zhejiang Hangkai Photovoltaic Technology Limited* (浙江杭開光伏科技有限公司) entered into a contract in relation to the procurement of stationary mounts for the 2MWp photovoltaic power station project in Hunan Town, Qujiang District, Quzhou City.
- (7) In July 2018, Tonking New Energy and Jiangxi Dexing Photovoltaic Power Co. Ltd. of State Power Investment Group* (國家電投集團江西德興光伏發電有限公司) entered into a contract in relation to the equipment sale and purchase and installation for the mounting system of the 13.496MW CPI photovoltaic power generation combined with forestry/agriculture project in Huangbai, Dexing City.
- (8) In August 2018, Tonking New Energy (Jiangshan) and Jiangshan City Xintangbian Town Maocun Shantou Village Stock Economic Cooperative* (江山市新塘邊鎮毛村山頭村股份經濟合作社) entered into a contract in relation to the procurement and installation of equipment for the 305.5KWp ground-mounted photovoltaic power station in Maocun Shantou Village, Xintangbian Town, Jiangshan City.
- (9) In August 2018, Tonking New Energy (Shanghai) entered into a procurement contract with Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) in relation to the mounting bracket for Sungrow Power Supply's 5.51152MW Fore-runner photovoltaic power station project in Weinan region.
- (10) In August 2018, Tonking New Energy (Shanghai) entered into a procurement contract with Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) in relation to the fixed/adjustable brackets for Sungrow Power Supply's 55.46024MW Fore-runner photovoltaic power station project in Golmud City.
- (11) In September 2018, Tonking New Energy (Shanghai) entered into a procurement contract with Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) in relation to the brackets for Sungrow Power Supply's 50.42286MW photovoltaic poverty-alleviation project in Qinghai Province.

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

Renewable Energy Business (continued)

(I) Signing of new contracts (continued)

- (12) In November 2018, Tonking New Energy (Shanghai) entered into a procurement contract with CPI Power Engineering Co., Ltd.* (中電投電力工程有限公司) in relation to the tracking mounting bracket devices for 44.06848MW fishery photovoltaic complementary project I at Sheyang Lake in Photovoltaic Power Generation Fore-runner Base in Baoying County.
- (13) In November 2018, Tonking New Energy (Shanghai) entered into a procurement contract with CPI Power Engineering Co., Ltd.* (中電投電力工程有限公司) in relation to the fixed mounting bracket devices for 9.984MW fishery photovoltaic complementary project I at Sheyang Lake in Photovoltaic Power Generation Fore-runner Base in Baoying County.
- (14) In November 2018, Tonking New Energy (Jiangshan) entered into an EPC general contract with Zhejiang China New Energy Development Co., Ltd.* (浙江中新能源發展有限公司) in relation to the 16.2KW tea photovoltaic complementary project in Rizhao City, Shandong Province.
- (15) In November 2018, Tonking New Energy (Jiangshan) entered into a procurement contract with Shanghai Baoye Group Corp., Ltd.* (上海寶冶集團有限公司) in relation to the 9.3536MW agricultural photovoltaic power plant project with flat uniaxial brackets in Hanchuan City, Hubei Province.
- (16) In December 2018, Tonking New Energy (Shanghai) entered into a procurement contract with Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) in relation to the photovoltaic brackets for Sungrow Power Supply's 3.96MW Jinzhai Project.
- (17) In December 2018, Tonking New Energy (Jiangshan) entered into a procurement contract with Shanghai Baoye Group Corp., Ltd.* (上海寶冶集團有限公司) in relation to the 2.4864MW agricultural photovoltaic power plant project with flat uniaxial brackets in Hanchuan City, Hubei Province.
- (18) In January 2019, Tonking New Energy (Jiangshan) entered into a procurement contract with Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) in relation to the brackets for Sungrow Power Supply's 0.384MW photovoltaic poverty-alleviation project in YuGou Town, Lingbi County.
- (19) On January 2019, Tonking New Energy (Shanghai) entered into a procurement contract with Yuchai Marketing Co.,Ltd.* (玉柴營銷有限公司) in relation to the flat uniaxial tracking mounting brackets for phase II of the 9.4608MW agricultural photovoltaic power generation project in Guipin, Yuchai.
- (20) In February 2019, Tonking New Energy (Jiangshan) entered into a procurement contract with Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) in relation to the brackets for Sungrow Power Supply's 0.048MW small and empirical photovoltaic poverty-alleviation project in Golmud City.

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

Renewable Energy Business (continued)

(I) Signing of new contracts (continued)

- (21) On February 2019, Tonking New Energy (Jiangshan) entered into a procurement contract with Hebei Zhongrui Electric Power Equipment Co., Ltd.* (河北中瑞電力設備有限公司) in relation to the flat uniaxial tracking mounting brackets for the 0.1332MW double-sided tracking experiment project in Delhi City.
- (22) In March 2019, Tonking New Energy entered into a supplementary agreement with Jiangxi Dexing Photovoltaic Power Co. Ltd. of State Power Investment Group* (國家電投集團江西德興光伏發電有限公司) in relation to the further optimization of technology for the 1.2096MW CPI photovoltaic power generation project combining with projects in agriculture and forestry in Huangbai, Dexing City.
- (23) In March 2019, Tonking New Energy (Jiangshan) entered into a procurement contract with Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) in relation to the fixed mounting brackets for Sungrow Power Supply's 5.115MW Jinzhai Project.
- (24) In March 2019, Tonking New Energy (Jiangshan) entered into a contracting agreement with Jiangshan Huihong New Energy Co., Ltd.* (江山市輝宏新能源有限公司) in relation to the expansion for the 3.5046MW photovoltaic power generation project in Fenglin Town.

(II) Successful Tender and Contracts Awarded

- (1) A contract was awarded by Wuling Wuhai Electric Power Co., Ltd.* (五凌烏海電力有限公司) to Tonking New Energy (Jiangshan) in relation to the engineering, procurement and construction general contracting for the 47.65804MWp photovoltaic field of Wuling Wuhai.
- (2) A contract was awarded by Guangxi Xijiang Group Investment Co., Ltd.* (廣西西江集團投資股份有限公司) to Tonking New Energy (Shanghai) and entered into with Guangxi Tiandong Xijiang Energy Co., Ltd.* (廣西田東西江能源有限公司) in relation to the procurement of floating photovoltaic system for the 27MWp hydro-photovoltaic project at the Lila Ditch of Weir Reservoir Area in Youjiang district, Guangxi Province.

The mounting bracket systems independently developed by the Group will be applied in all the above projects. The bracket components will be made of high-quality materials such as steel structures and aluminum alloys. The surface will be treated with hot-dip galvanized rust-prevention and vacuum-infiltrated zinc alloy anti-corrosion treatment, with anti-corrosion durability not less than 25 years. As aluminum alloys are light-weighted, recyclable and reusable with strong toughness, high yield strength, and are highly resistant to corrosion, they can minimize costs and maximize overall efficiency. Integration of the above characteristics with the structure of Tonking's mounting bracket can significantly improve the tracking accuracy of the mounting brackets, which can in turn improve the power generation efficiency remarkably. It not only satisfies customer's requirement for corrosion resistance of the product, but also maximizes economic benefits for customers.

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

Renewable Energy Business (continued)

(II) Successful Tender and Contracts Awarded (continued)

The Group will continue to focus on the research and development of photovoltaic tracking systems for various complex terrains, and strive to make new technological breakthroughs so as to provide customers with comprehensive and efficient integrated solutions of solar energy systems.

The Group adheres to promoting healthy and sustainable development based on technological innovation, occupying the market with advanced technologies, increasing investment in technology research and carrying out the market-oriented, customer-centered philosophy. Based on its many years' experience in renewable energy and careful analysis of China's policies, it can provide customers with an ecological integrated intelligence mode combining agriculture (forestry and animal husbandry), fishery and photovoltaic generation, as well as personalized intelligent solutions for mountains, roofs, etc.

With the outstanding core competitiveness brought 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 technological advantage of the Group's products through fore-runner projects on the other hand.

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. Meanwhile, our "power distribution cabinet tracker" has passed the 3C certification and our tracking mounting brackets system has also passed the certification of American Underwriters Laboratories (UL). And at the same time, Tonking New Energy Technology (Jiangshan) Co., Ltd.* (同景新能源科技(江山)有限公司), a wholly-owned subsidiary of the Group, obtained the Certificate of Class-B Qualification for Engineering Design in relation to Electricity Industry (Renewable Energy Power Generation) (電力行業(新能源發電)專業乙級工程設計資質), which was another development breakthrough made by the Group following the obtaining of the Construction General Contracting Qualification (Class-C) for Electric Engineering (電力工程施工總承包三級資質). This certificate has met the Company's requirements in engineering design of new energy power generation, successfully brought the Company to a new stage of engineering design of the new energy industry and further established the Company's leading position in the renewable energy industry.

Food and Beverage Business

The Group was also operating full-service restaurants and cake shops during the Report Period before the disposal of food and beverage business in December 2018.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

Revenue

For the financial year ended 31 March 2019, the Group recorded revenue of approximately HK\$542,314,000, representing a decrease of approximately 21% compared with approximately HK\$685,947,000 of the corresponding period in 2018.

Contract costs

The contract costs for the year ended 31 March 2019 was approximately HK\$468,504,000 (2018: approximately HK\$600,135,000). 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 slightly increased by approximately 2% to approximately HK\$20,156,000 for the year ended 31 March 2019 (2018: approximately HK\$19,858,000). The staff costs maintained steady comparing to 2018.

Depreciation and amortisation

Depreciation and amortisation decreased by approximately 10% to approximately HK\$4,198,000 for the year ended 31 March 2019 (2018: approximately HK\$4,676,000).

Property rentals and related expenses

The property rentals and related expenses for the year ended 31 March 2019 amounted to approximately HK\$1,361,000 (2018: approximately HK\$4,034,000), representing a decrease of approximately 66% as compared to the corresponding period in 2018.

Administrative and other operating expenses

Administrative and other operating expenses decreased by approximately 30% to approximately HK\$14,985,000 for the year ended 31 March 2019 from approximately HK\$21,263,000 for the corresponding period in 2018. The decrease was mainly due to the Group strengthen the cost control during the year.

Net profit

For the year ended 31 March 2019, the Group recorded profit attributable to owners of the Company of approximately HK\$23,424,000 (For the year ended 31 March 2018: approximately HK\$28,922,000).

Management Discussion and Analysis (continued)

FUTURE PROSPECTS

1. The Ministry of Land and Resources, the State Council Leading Group Office of Poverty Alleviation and Development and the National Energy Administration issued Opinions on Supporting Photovoltaic Poverty Alleviation and Regulating Photovoltaic Power Generation Industry Lands (Guo Tu Zi Gui [2017] No.7) (國土資規[2017]7號關於支援光伏扶貧和規範光伏發電產業用地的意見) in September 2017. The Opinions pointed out that all regions shall speed up the preparation of their photovoltaic power generation plans and rationalize the construction of photovoltaic power generation projects according to the national photovoltaic industry development plan and their actual conditions. The photovoltaic power generation plans should be consistent with the overall land use plans and other related plans. Unutilised lands are allowed to be used whereas agricultural lands shall not be occupied. The use of permanent basic farmland in any way shall be prohibited and the development of photovoltaic power generation projects in the region expressly prohibited by the relevant national laws, regulations and plans shall also be strictly prohibited.

Apart from the photovoltaic poverty alleviation projects identified in this document and the photovoltaic power station projects constructed by taking use of agricultural lands (hereinafter referred to as “Photovoltaic Compound Projects”), other photovoltaic power station projects shall use land in strict compliance with the requirements of Guo Tu Zi Gui [2015] No. 5 (國土資規[2015]5號文). For projects involved in unutilised lands, the land for photovoltaic arrays can be identified according to the in-place category under which the use of lands shall not be changed and lands shall be used rationally.

Tonking Group used the agricultural land other than permanent basic farmland for its photovoltaic arrays and will not change the nature of the original land without prejudice to the conditions of agricultural production. This model meets the requirements of the Ministry of Land and Resources and will be widely adopted and promoted in the photovoltaic industry, which will provide a vast space for the future development of the Company.

2. **The Notice on the Issues Related to the Construction of Fore-runner Bases for Photovoltaic Power Generation in 2017 (《關於2017年光伏發電領跑基地建設有關事項的通知》)**

The National Energy Administration issued this notice in December 2017. The project of fore-runner bases for photovoltaic power generation aims to improve the efficiency of photovoltaic power generation, upgrade the industry, develop more applications and reduce the cost of power generation by selecting and supporting the outstanding corporations in photovoltaic industry. As regards the photovoltaic products purchase, land approval and grid integration, national photovoltaic projects will give priority to the qualified enterprises in the project of fore-runner bases for photovoltaic power generation. In addition, this notice can ensure the qualities of the candidate enterprises, which have adequate capacity in finance and scientific research so as to promote the development of the industry.

Management Discussion and Analysis (continued)

FUTURE PROSPECTS (continued)

3. The Notice on the Issues Related to Photovoltaic Power Generation in 2018 (《關於2018年光伏發電有關事項的通知》)

The National Development and Reform Commission, Ministry of Finance, the National Energy Administration jointly issued this notice on 31 May 2018. Such notice aims to reasonably control the development pace while optimising the new construction scale of photovoltaic power generation; to standardize the development of distributed photovoltaic power; to support photovoltaic power poverty alleviation and achieve targeted poverty alleviation; to proceed the construction of fore-runner bases for photovoltaic power generation in an orderly way; to encourage local governments to support the development of photovoltaic power industry by formulating policies based on their actual situation; to speed up the subsidy reduction process on photovoltaic power generation through lowering the levels of subsidies; to further enhance market-oriented distribution by activating the decisive role of market-oriented resource allocation.

4. The Notice of the National Development and Reform Commission and the National Energy Administration on Active Promotion of the Work on Grid Parity of Wind Power and Photovoltaic Power without Subsidies (《國家發展改革委國家能源局關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》)

In early January 2019, the National Development and Reform Commission and the National Energy Administration jointly issued the Document Fa Gai Neng Yuan [2019] No. 19(發改能源[2019]19號文件). The notice aims to carry out the construction of grid parity projects and low-price grid pilot projects, optimize the investment environment for the grid parity projects and low-price grid projects, ensure the implementation of prioritized power generation and fully capacity guaranteed purchase, and encourage the grid parity projects and low-price grid projects to obtain reasonable compensation through transaction of green certificates.

5. The Notice of the National Energy Administration and the State Council Leading Group Office of Poverty Alleviation and Development on Second Batch of Photovoltaic Poverty Alleviation Projects for the 13th FYP Period (《國家能源局國務院扶貧辦關於下達「十三五」第二批光伏扶貧項目計劃的通知》)

The National Energy Administration issued Guo Neng Fa Xin Neng [2019] No. 37 in April 2019. The notice aims to promote photovoltaic poverty alleviation in a solid and orderly manner by strengthening the construction, operation and maintenance management of power stations. The photovoltaic poverty alleviation projects cover a total of 15 provinces (autonomous regions) and 165 counties and involve a total of 3,961 village-level photovoltaic poverty alleviation power stations (hereinafter referred to as power stations) with a total installed capacity of 1,673,017.43 kilowatts.

Management Discussion and Analysis (continued)

FUTURE PROSPECTS (continued)

6. The Notice of the General Office of the National Energy Administration on Submitting the List of Grid Parity Projects of Wind Power and Photovoltaic Power in 2019 (《國家能源局綜合司關於報送2019年度風電、光伏發電平價上網項目名單的通知》)

The National Energy Administration also issued the Notice of the General Office of the National Energy Administration on Submitting the List of Grid Parity Projects of Wind Power and Photovoltaic Power in 2019 (《國家能源局綜合司關於報送2019年度風電、光伏發電平價上網項目名單的通知》) in April 2019, which aims to promote the construction of subsidy-free grid parity projects of wind power and photovoltaic power, encourage the voluntary transfer of stock projects to grid parity projects, actively promote the market-oriented trading pilot of distributed power generation, and strictly implement the construction conditions of grid parity projects.

7. The Notice of the National Energy Administration on the Issues Related to the Construction of Wind Power and Photovoltaic Power Generation Projects in 2019 (《國家能源局關於2019年風電、光伏發電項目建設有關事項的通知》)

The National Energy Administration issued Guo Neng Fa Xin Neng [2019] No. 49 in May 2019. The notice aims to actively promote the construction of grid parity projects, strictly regulate the competition allocation of subsidized projects, comprehensively implement the power supply and consumption conditions and optimize the construction of investment and business environment.

In order to speed up the further development in photovoltaic sector, the Group will, on the one hand, increase the proportion of research and development investment, focusing on the research and development of high quality and 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 promotes 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 intend to 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 own technical advantages and successful experience to actively deploy overseas market and ensure its products pass UL testing and relevant international certification standards. Currently, the Group has made cooperation with Lebanon, and is planning to sell its products to Africa, India, 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.

Management Discussion and Analysis (continued)

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 31 March 2019, the total number of issued shares of the Company is 818,000,000.

As at 31 March 2019, the share capital and equity attributable to owners of the Company amounted to HK\$8,180,000 and approximately HK\$210,722,000 respectively (2018: HK\$8,180,000 and approximately HK\$197,166,000 respectively).

Cash position

As at 31 March 2019, the cash and cash equivalents of the Group amounted to approximately HK\$78,659,000 (2018: approximately HK\$69,831,000), representing an increase of approximately 13% as compared to that as at 31 March 2018.

Bank borrowings

During the year, the Group has borrowed short-term bank loans amounted to approximately HK\$103,171,000 which bear effective interest rates from 4.40% to 5.92% per annum.

Gearing ratio

As at 31 March 2019, the gearing ratio of the Group was approximately 40% (2018: approximately 53%). 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.

Management Discussion and Analysis (continued)

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

On 29 September 2017 the Company and Happy Kind Holdings Limited (the “Purchaser”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”). Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire and the Company conditionally agreed to sell the entire issued share capital of Glory Kind Development Limited and its subsidiaries. The transaction was completed on 19 December 2018.

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 2019.

Contingent Liabilities

As at 31 March 2019, the Group had no material contingent liabilities (2018: nil).

Capital Commitment

As at 31 March 2019, the Group had capital commitments of approximately HK\$13,000 (2018: approximately HK\$65,000).

Employees and Emolument Policies

The Group had 176 employees (including Directors) as at 31 March 2019 (2018: 471 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.

Management Discussion and Analysis (continued)

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.

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 2019 will be published on the respective websites of the Stock Exchange and the Company on or before 30 September 2019.

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 2019, 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.

Management Discussion and Analysis (continued)

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 2019, 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 2019 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 57

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 43

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 54
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 50
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 59
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 53
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 51
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

The above mentioned Executive Directors of the Company are members of senior management of the Group.

* For identification purpose only

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 2019 (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 18 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 various restaurants and cake shops in Hong Kong.

On 29 September 2017, the Company has conditionally agreed to sell the entire issued share capital of Glory Kind Development Limited, its wholly-owned subsidiary principally engaged in the operation and management of various restaurants and cake shops in Hong Kong. As at the date of this annual report, the disposal has been completed. Please refer to the announcement of the Company dated 19 December 2018 for details.

RESULTS

The results of the Group for the Year are set out on pages 51 to 52 of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year ended 31 March 2019 (2018: nil).

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting ("AGM") of the Company will be held on 2 August 2019 (Friday), 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 and vote at the forthcoming AGM, the register of members of the Company will be closed from 30 July 2019 (Tuesday) to 2 August 2019 (Friday), both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at 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 4:00 p.m. on 29 July 2019 (Monday).

Directors' Report (continued)

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2019, 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 2019 is set out in the section headed "Five Years' Financial Summary" in page 142 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 15 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 is set out on page 142. 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 32 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 2019.

Directors' Report (continued)

TRANSFER TO RESERVES

Profit attributable to equity shareholders, before dividends, of approximately HK\$29,640,000 have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 55 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 March 2019, 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\$80,912,000.

Detail of movements in the reserves of the Company and the Group during the year are set out in note 45 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

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).

On 29 September 2017 the Company and Happy Kind Holdings Limited (the "Purchaser") entered into a sale and purchase agreement (the "Sale and Purchase Agreement"). Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire and the Company conditionally agreed to sell the entire issued share capital of Glory Kind Development Limited and its subsidiaries. The transaction was completed on 19 December 2018. Please refer to the announcements dated 29 September 2017 and 19 December 2018 and the circular dated 21 September 2018 for details.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 70.75% of the total sales for the Year and sales to the largest customer included therein amounted to approximately 24.41% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for approximately 39.48% of the total purchases for the Year and purchase from the Group's largest supplier included therein amounted to approximately 13.20% 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' Report (continued)

DIRECTORS

The Directors who held office during the year ended 31 March 2019 and as at the date of this report were:

Executive Directors

Mr. Wu Jian Nong (*Chairman and Chief Executive Officer*)

Ms. Shen Meng Hong

Mr. Xu Shui Sheng

Mr. Zhou Jian Ming

Independent Non-Executive Directors

Ms. Wang Xiaoxiong

Mr. Zhou Yuan

Mr. Yuan Jiangang

Mr. Wu Jian Nong, Mr. Xu Shui Sheng and Mr. Zhou Yuan 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 2018 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 2018 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 three years commencing from 5 February 2019 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.

Directors' Report (continued)

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 22 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.

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 40 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 2019 or at any time during the year ended 31 March 2019; (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 2019 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.

Directors' Report (continued)

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2019 are set out in note 39 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 2019, 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)	231,454,000	28.30%

Note:

These 231,454,000 Shares are totally held by Rise Triumph Limited and Signkey Group Limited, of which 224,380,000 shares are held by Rise Triumph Limited and 7,074,000 shares are held by Signkey Group Limited. Mr. Wu Jian Nong, Mr. Xu Shui Sheng and Ms. Shen Meng Hong beneficially owns 96%, 3% and 1% of the issued share capital of Rise Triumph Limited respectively. Mr. Xu Shui Sheng and Ms. Shen Meng Hong are therefore deemed to hold 6,731,400 Shares (being 0.82%) and 2,243,800 Shares (being 0.27%) of the Shares of the Company respectively. Mr. Wu Jian Nong, Mr. Xu Shui Sheng and Ms. Shen Meng Hong beneficially owns 85%, 3% and 1% of the issued share capital of 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 2019, 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 2019 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	224,380,000	27.43%
Victory Stand (Note 2)	Beneficial owner	206,000,000	25.18%

Note:

- These 224,380,000 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.
- These 206,000,000 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 2019, 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.

Directors' Report (continued)

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 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.

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 4.89% 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.

Directors' Report (continued)

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 34 to 46 of this annual report.

CHARITABLE DONATIONS

No charitable or other donations were made by the Group during the year (2018: nil).

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 2019, 2018, 2017, 2016, 2015 and 2014. The Company has not changed its external auditors during the Year and up to the date of this annual 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)

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 2019

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 2019, 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, Mr. Xu Shui Sheng and Mr. Zhou Yuan 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 2018 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 2018 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 three years commencing from 5 February 2019 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 2019.

Corporate Governance Report (continued)

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 March 2019 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*)

Ms. Shen Meng Hong

Mr. Xu Shui Sheng

Mr. Zhou Jian Ming

Independent Non-Executive Directors

Ms. Wang Xiaoxiong

Mr. Zhou Yuan

Mr. Yuan Jiangang

The brief biographic details of the Directors are set out in the section headed “Biographies of Directors and Senior Management” on pages 20 to 22 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 2019. 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 2019 are summarized as follows:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Compliance Committee meeting	General meeting
Executive Directors						
Mr. Wu Jian Nong	9/9	N/A	N/A	N/A	N/A	2/2
Ms. Shen Meng Hong	9/9	N/A	N/A	1/1	1/1	2/2
Mr. Xu Shui Sheng	9/9	N/A	N/A	N/A	N/A	2/2
Mr. Zhou Jian Ming	9/9	N/A	N/A	N/A	N/A	2/2
Independent Non-executive Directors						
Ms. Wang Xiaoxiong	9/9	5/5	1/1	1/1	1/1	2/2
Mr. Zhou Yuan	6/9	5/5	1/1	1/1	1/1	2/2
Mr. Yuan Jiangang	6/9	5/5	1/1	N/A	N/A	2/2

Corporate Governance Report (continued)

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 Jiangan (Chairman), Ms. Wang Xiaoxiong and Mr. Zhou Yuan, all being independent non-executive Directors.

During the year ended 31 March 2019, the Audit Committee had reviewed the final results of the Group for the year ended 31 March 2018, the first quarterly results of the Group for the three months ended 30 June 2018, the interim results of the Group for the six months ended 30 September 2018 and the third quarterly results of the Group for the nine months ended 31 December 2018. The Audit Committee had reviewed the Group's internal controls for the year ended 31 March 2019. The Group's final results for the year ended 31 March 2019 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 2019. 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 one meeting during the year ended 31 March 2019. 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 2019.

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 Meng Hong, an executive Director. The majority of the members of the Nomination Committee are independent non-executive Directors.

The Nomination Committee held one meeting during the year ended 31 March 2019. 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.

Corporate Governance Report (continued)

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;
- (2) the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy; and
- (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 one meeting during the year ended 31 March 2019. 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.

Corporate Governance Report (continued)

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.

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 2019, senior management of the Company comprises four individuals.

The senior management’s remuneration payment of the Company during the year ended 31 March 2019 falls within the following bands:

	Number of individual
HK\$500,000 or below	1

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.

Corporate Governance Report (continued)

EXTERNAL AUDITORS' REMUNERATION

The Company engaged HLB Hodgson Impey Cheng Limited as its external auditors for the year ended 31 March 2019. 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 2019, the fee payable to HLB Hodgson Impey Cheng Limited in respect of its statutory audit services provided to the Company was HK\$1,600,000 and non audit service of HK\$800,000.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has overall responsibility for overseeing the Group's risk management and internal controls systems and through the Audit Committee, conducts reviews on their effectiveness on an ongoing basis, covering all material controls, including financial, operational and compliance controls and risk management functions. During the process of annual review, the Board through the Audit Committee performs evaluation of the Group's accounting and financial reporting function to ensure that there is adequacy of resources, qualifications and experience of relevant staff, and their training programmes and budget.

The Board is committed to strengthening the Group's internal controls system and improving the workflow with a view to enhancing efficiency and minimising any significant business risks. Accordingly, the Group has established a series of internal control rules and procedures covering all key areas of operations such as asset management, working capital management, investment management, human resources management, etc. The Group also refines continually the internal organisation structure in pursuit of a more systematic decision-making process and an efficient and effective operation and control environment.

The Company has adopted risk management policy and procedures (the "Risk Management Policy") for assessing and, where prudent, improving the effectiveness of its risk management and internal control systems, including requiring the executive management of the Group to regularly assess and at least annually to personally certify that such matters are appropriate and functioning effectively in the belief that this will enhance the corporate governance of the Company and its business practices.

GROUP RISK MANAGEMENT

The Company has established the enterprise risk management framework. The Board is responsible for ensuring that the Company has an adequate and effective risk management system, while the management has the responsibility to operate and implement the Risk Management Policy to the Group. Through the risk assessment and control process, risks are identified, assessed, prioritised and assigned treatment methods. The Board and management allocate tasks and resources to achieve the recommended risk control processes as required. The Board receives regular reports through the Audit Committee that oversees risk management and internal audit functions.

Corporate Governance Report (continued)

PRINCIPAL RISKS

The principal risks and uncertainties are set out in the section headed “Business Review”. Such discussion forms a part of Report of Directors.

Currently, the Group has not established an internal audit function. The Board has reviewed the need for setting up an internal audit function within the Group, and is of the opinion that in view of the scale and nature of the operations of the Group, it is more cost effective to appoint external independent professionals to carry out internal audit function for the Group. In this respect, the Board will continue to review the need for an internal audit function at least annually.

During the year, the Board appointed an independent professional consultancy firm – Corporate Governance Professionals Limited (“CGPL”) to conduct an internal control review. During the year, based upon the results of the internal control review which were submitted to the Audit Committee for consideration, the Board and the Audit Committee are satisfied that the Group’s systems of risk management and internal controls, including financial, operational, compliance, and risk management functions, are adequate and effective.

RISK GOVERNANCE

The Group’s risk governance structure is based on a “Three Lines of Defence” model, with operational management and internal controls performed by the Board and the management, coupled with risk management monitoring carried out by the finance department and independent internal audit outsourced to and conducted by CGPL.

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 actions 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. The results of these reviews are recorded in the risk registers for analysis of potential strategic implications and for regular reporting to the management and Directors of the Company.

The risk assessment and control systems will be evaluated by the Board and management at least annually or earlier if significant changes occur that introduce new risks or significantly alter the level of current risks. 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 Board will continue to review and improve the Group’s risk management and internal control systems, taking into account the prevailing regulatory requirements, the Group’s business development, interests of shareholders, and technological advances.

Corporate Governance Report (continued)

INSIDE INFORMATION

The Company has formulated internal procedures and controls for the handling and dissemination of inside information, and further improved the information disclosure system of the Company to ensure that the Company's information is disclosed to the public on a true, accurate, complete and timely basis. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the Securities & Futures Ordinance (the "SFO"). The Group ensures the information is kept strictly confidential before the information is fully disclosed to the public. The Group is committed to ensure that information disclosed are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, where the Company operates so as to comply with relevant requirements under the SFO and Listing Rules from time to time.

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 oversees risk management and internal audit functions.

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 CGPL. 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.

Corporate Governance Report (continued)

OUR RISK CONTROL MECHANISM (continued)

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 E, 29th Floor, CNT Tower, No. 338 Hennessy 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.

Corporate Governance Report (continued)

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 2019.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The principal place of business in Hong Kong of the Company has been changed to Unit E, 29th Floor, CNT Tower, No. 338 Hennessy Road, Hong Kong with effect from 24 July 2018.

Independent Auditors' Report



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 51 to 141, which comprise the consolidated statement of financial position as at 31 March 2019, and 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 2019, 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 (“HKSA”) 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.

Independent Auditors' Report (continued)

KEY AUDIT MATTER (continued)

Accounting for construction contract revenue, costs, contract assets and contract liabilities

We identified the revenue and costs recognition of contracting service and contract assets and contract liabilities 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 progress towards completion of contracting service.

Our audit procedures in relation to construction revenue and cost recognised and contract assets and contract liabilities 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 progress towards 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 contract on a sample basis.
- Obtaining the certificates issued by customers to evaluate the reasonableness of progress towards completion as at year end and testing the revenue recognition based on progress towards completion.
- Assessing the appropriateness and sufficiency of the disclosures made in the consolidated financial statements.

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.

Independent Auditors' Report (continued)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of 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.

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.

Independent Auditors' Report (continued)

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.
- 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 2019

Consolidated Statement of Profit or Loss

For the year ended 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
CONTINUING OPERATIONS			
REVENUE	5	542,314	685,947
Other income	6	7,096	4,528
Contract costs	8	(468,504)	(600,135)
Staff costs		(20,156)	(19,858)
Depreciation and amortisation		(4,198)	(4,676)
Property rentals and related expenses		(1,361)	(4,034)
Fuel and utility expenses		(10)	(18)
Administrative and other operating expenses		(14,985)	(21,263)
Finance costs	7	(5,075)	(1,184)
PROFIT BEFORE TAX	8	35,121	39,307
Income tax expense	11	(9,813)	(8,964)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		25,308	30,343
DISCONTINUED OPERATION			
Profit/(loss) for the year from discontinued operation	12	6,316	(8,374)
PROFIT FOR THE YEAR		31,624	21,969
Attributable to:			
Owners of the Company			
– From continuing operations		23,424	28,922
– From discontinued operation		6,216	(7,916)
		29,640	21,006
Non-controlling interests			
– From continuing operations		1,884	1,421
– From discontinued operation		100	(458)
		1,984	963
		31,624	21,969
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	14		
– From continuing operations		2.86	3.54
– From discontinued operation		0.76	(0.97)
		3.62	2.57

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	2019 HK\$'000	2018 HK\$'000
PROFIT FOR THE YEAR	31,624	21,969
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	(16,392)	22,251
Other comprehensive (expense)/income, net of tax	(16,392)	22,251
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	15,232	44,220
Attributable to:		
Owners of the Company	14,728	41,351
Non-controlling interests	504	2,869
	15,232	44,220

Details of the dividends for the year are disclosed in note 13 to the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	43,550	80,943
Intangible assets	16	7,696	10,845
Lease prepayments	17	134	146
Non-current prepayments and rental deposits	22	1,167	14,108
Total non-current assets		52,547	106,042
CURRENT ASSETS			
Inventories	19	30,307	37,849
Contract assets	20	96,393	–
Trade and bills receivables	21	198,504	419,067
Prepayments, deposits and other receivables	22	26,970	60,641
Other financial assets	23	3,031	–
Due from a director		–	747
Due from related parties	24	139	6,620
Due from non-controlling shareholders	28	–	41
Lease prepayments	17	3	3
Tax recoverable		–	1,050
Cash and cash equivalents	25	78,659	69,831
Total current assets		434,006	595,849
CURRENT LIABILITIES			
Contract liabilities	20	12,357	–
Trade and bills payables	26	79,972	164,820
Other payables and accruals	27	9,195	54,348
Due to related parties	24	11,011	145,344
Due to non-controlling shareholders	28	–	1,000
Promissory note	29	40,340	38,900
Provision for reinstatement costs	38	–	1,094
Bank borrowings	30	103,171	62,399
Tax payable		134	3,787
Total current liabilities		256,180	471,692
NET CURRENT ASSETS		177,826	124,157
TOTAL ASSETS LESS CURRENT LIABILITIES		230,373	230,199

Consolidated Statement of Financial Position (continued)

As at 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
NON-CURRENT LIABILITIES			
Provision for reinstatement costs	38	–	6,718
Total non-current liabilities		–	6,718
Net assets		230,373	223,481
EQUITY			
Equity attributable to owners of the Company			
Issued capital	32	8,180	8,180
Reserves	34	202,542	188,986
		210,722	197,166
Non-controlling interests		19,651	26,315
Total equity		230,373	223,481

Approved and authorised for issue by the Board of Directors on 26 June 2019.

Wu Jian Nong
Director

Shen Meng Hong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves	Statutory reserves	Exchange fluctuation reserves	Retained profits	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
	(Note 32)	(Note 34)	(Note 34)	(Note 34)	(Note 34)				
At 1 April 2017	4,090	75,815	51,567	6,634	(7,461)	21,432	152,077	4,309	156,386
Profit for the year	-	-	-	-	-	21,006	21,006	963	21,969
Other comprehensive income for the year	-	-	-	-	20,345	-	20,345	1,906	22,251
Total comprehensive income for the year	-	-	-	-	20,345	21,006	41,351	2,869	44,220
Transfer to statutory reserves	-	-	-	940	-	(940)	-	-	-
Partial disposal of a subsidiary	-	-	-	-	-	3,738	3,738	16,946	20,684
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	2,191	2,191
Issue of bonus share	4,090	(4,090)	-	-	-	-	-	-	-
At 31 March 2018	8,180	71,725	51,567	7,574	12,884	45,236	197,166	26,315	223,481
Adjustments (Note 2)	-	-	-	-	-	(1,172)	(1,172)	-	(1,172)
At 1 April 2018	8,180	71,725	51,567	7,574	12,884	44,064	195,994	26,315	222,309
Profit for the year	-	-	-	-	-	29,640	29,640	1,984	31,624
Other comprehensive expense for the year	-	-	-	-	(14,912)	-	(14,912)	(1,480)	(16,392)
Total comprehensive income for the year	-	-	-	-	(14,912)	29,640	14,728	504	15,232
Transfer to statutory reserves	-	-	-	944	-	(944)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(3,218)	(3,218)
Disposal of a subsidiary	-	-	-	-	-	-	-	(3,950)	(3,950)
Release of other reserves upon disposal of a subsidiary	-	-	(51,567)	-	-	51,567	-	-	-
At 31 March 2019	8,180	71,725	-	8,518	(2,028)	124,327	210,722	19,651	230,373

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK\$'000	2018 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax including discontinued operation		
– continuing operations	35,121	39,307
– discontinued operation	7,425	(8,175)
Adjustments for:		
Amortisation of intangible assets	1,576	852
Depreciation	10,676	15,501
Impairment of items of property, plant and equipment	–	2,190
Loss on disposal of items of property, plant and equipment	523	2,240
Loss on disposal of intangible assets	26	37
Interest income	(567)	(681)
Finance costs	5,761	2,637
Net reversal of impairment losses on financial and contract assets	(599)	–
Gain on disposal of a subsidiary	(9,083)	–
Reversal of provision for reinstatement costs	(278)	(1,687)
	50,581	52,221
Decrease/(increase) in inventories	5,818	(13,506)
Increase in contract assets	(11,585)	–
Decrease in gross amounts due from customers for contract works	–	145,455
Decrease/(increase) in trade and bills receivables	148,711	(221,148)
Decrease/(increase) in prepayments, deposits and other receivables	23,934	(3,241)
Decrease in amount due from a director	–	(747)
Increase in amounts due from related parties	(24,670)	(4,240)
Increase in other financial assets	(3,010)	–
Increase in contract liabilities	4,357	–
(Increase)/decrease in trade and bills payables	(66,755)	85,957
(Increase)/decrease in other payables and accruals	(25,931)	(68,465)
Decrease in amounts due to related parties	(94,283)	(73,732)
Decrease in amount due to non-controlling interest	–	(750)
Cash generated from/(used in) operations	7,167	(102,196)
Interest paid	(4,321)	(1,184)
Income tax paid	(8,976)	(8,792)
Net cash flows used in operating activities	(6,130)	(112,172)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2019

Note	2019 HK\$'000	2018 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	567	681
Purchases of items of property, plant and equipment	(6,686)	(32,366)
Proceeds from sales of property, plant and equipment	5,460	1,844
Payment for intangible assets	(207)	(8,081)
Proceeds from partial disposal of a subsidiary	–	20,684
Net cash flows from disposal of a subsidiary	(455)	8,088
Net cash flows used in investing activities	(1,321)	(9,150)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	35,013	62,399
Dividend paid to non-controlling interest	(3,218)	–
Capital contribution by non-controlling interest	–	2,191
Net cash flows generated from financing activities	31,795	64,590
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Effect of foreign exchange rate changes, net	(15,516)	19,823
Cash and cash equivalents at beginning of year	69,831	106,740
CASH AND CASH EQUIVALENTS AT END OF YEAR	78,659	69,831
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	25 78,659	69,831

Notes to the Financial Statements

For the year ended 31 March 2019

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 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 E, 29th Floor, CNT Tower, No. 338, Hennessy 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.

On 29 September 2017, the Company has conditionally agreed to sell the entire issued share capital of Glory Kind Development Limited, its wholly-owned subsidiary principally engaged in the operation and management of restaurants and cake shops in Hong Kong.

All the conditions precedent under the sale and purchase agreement have been fulfilled and the completion took place on 19 December 2018. Following the completion, the Company cease to hold any equity interest of the Glory Kind Development Limited and its financial results will no longer be consolidated into the Company’s consolidated financial statements.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from the following major services which arise from contracts with customers:

- provision of a one-stop value added solution for photovoltaic power stations
- sales of the patented photovoltaic tracking mounting bracket systems
- restaurant operations

Information about the Group’s performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 March 2018	Reclassification	Carrying amounts under HKFRS 15 at 1 April 2018
	Notes	HK\$’000	HK\$’000	HK\$’000
Current assets				
Contract assets	(a)	–	84,118	84,118
Trade and bills receivables	(a)	419,067	(84,118)	334,949
Current liabilities				
Contract liabilities	(b)	–	8,211	8,211
Other payables and accruals	(b)	54,348	(8,211)	46,137

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 15 “Revenue from Contracts with Customers” (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

Notes:

- (a) At the date of initial application, included in the trade and bills receivables of approximately HK\$84,118,000 related to retention receivables, were reclassified to contract assets.
- (b) At the date of initial application, included in the other payables and accruals of approximately HK\$8,211,000 related to advance from customers, were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group’s consolidated statement of financial position as at 31 March 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported HK\$’000	Reclassification HK\$’000	Amounts without application of HKFRS 15 HK\$’000
Current assets			
Contract assets	96,393	(96,393)	–
Trade and bills receivables	198,504	84,950	283,454
Gross amounts due from customers for contrast works	–	11,443	11,443
Current liabilities			
Contract liabilities	12,357	(12,357)	–
Other payables and accruals	9,195	12,357	21,552

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 9 “Financial Instruments”

In the current year, the Group has applied HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and contract assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and contract assets. Except for those which had been determined as credit impaired under HKAS 39, contract assets and trade receivables have been assessed individually with significant balances and the remaining balances are grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including deposits and other receivables, due from a director, due from related parties, due from controlling shareholders and bank balances are assessed on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, additional credit loss allowance of approximately HK\$1,172,000 has been recognised against retained profits. The additional loss allowance is charged against the respective assets.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 9 “Financial Instruments” (continued)

Loss allowances as at 31 March 2018 reconciled to the opening loss allowance as at 1 April 2018 are as follows:

	Contract assets HK\$'000	Trade and bills receivables HK\$'000
At 31 March 2018 – HKAS 39	–	–
Amount remeasured through opening retained profits	320	852
At 1 April 2018 – HKFRS 9	320	852

Impacts on opening consolidated statement of financial position arising from the application of HKFRS 9 and HKFRS 15

As a result of the change in the Group’s accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items were not affected by the changes have not been included.

	31 March 2018 HK\$'000	HKFRS 15 HK\$'000	HKFRS 9 HK\$'000	1 April 2018 HK\$'000
Current assets				
Contract assets	–	84,118	(320)	83,798
Trade and bills receivables	419,067	(84,118)	(852)	334,097
Current liabilities				
Contract liabilities	–	8,211	–	8,211
Other payables and accruals	54,348	(8,211)	–	46,137
Capital and reserves				
Reserves	188,986	–	(1,172)	187,814

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 March 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2018 as disclosed above.

The adoption of these standards has no impact on the net cash flow from operating, investing and financing activities on the consolidated statement of cash flows.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

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:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

⁵ Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidation financial statements in the foreseeable future.

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 it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

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)

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.

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 operating lease payments as operating cash flows. Upon application of 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 cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK\$197,000 as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon the application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the 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 GEM of Stock Exchange (the “GEM Listing Rules”). They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value.

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

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 estimates are significant to the consolidated financial statements.

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 2019. 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).

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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.

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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in those expenses categories consistent with the function of the impaired assets.

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 other than goodwill 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.

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

- (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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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 including 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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

Franchise cost

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

Research and development cost

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 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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

Subsequent measurement

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)

Subsequent measurement (continued)

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through other comprehensive income (equity investments) (continued)

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018)

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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018) (continued)

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 (applicable before 1 April 2018)” 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.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018) (continued)

Subsequent measurement (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 expenses for receivables.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)

The Group assesses at the end of each reporting period whether there is 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 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 and all collateral has been realised or has been transferred to the Group.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018) (continued)

Financial assets carried at amortised cost (continued)

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 other expenses in the statement of profit or loss.

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or at amortised cost using the effective interest method, as appropriate.

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, bank borrowings and amounts due to related parties and non-controlling shareholders.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) (continued)

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.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of the past events and it is probable that a future outflow of resources will be required to settle the obligation; provided that a reliable estimation can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition (applicable from 1 April 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable from 1 April 2018) (continued)

Revenue from contracts with customers (continued)

(a) Construction services

Revenue from the provision of construction services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The output method recognises revenue by reference to completion of the specific transaction assessed on the basis of the work certified up to the end of the reporting period as a percentage of total contract value for each contract.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

(b) Provision of services

Revenue from the provision of services is recognised at the point in time upon delivery of services to the customers.

(c) Sale of electricity and goods

Revenue from the sale of electricity and goods is recognised at the point in time when control of the asset is transferred to the customer, generally when electricity is supplied to the provincial grid companies or on delivery of the goods.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable before 1 April 2018)

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 over 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.

Contract assets (applicable from 1 April 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 April 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract costs (applicable from 1 April 2018)

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Construction contracts (applicable before 1 April 2018)

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.

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”.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The employee of the Group’s subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll cost to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension 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.

Foreign currencies

The consolidated financial statements are presented in HK\$, 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated 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 date when the fair value was measured. The gain or loss arising on translation of a non-monetary item 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).

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 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, at the end of the reporting period. 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:

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

4. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

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 outcome of contract can be reasonably measured. 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.

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 capitalized development costs at the end of each reporting period and no impairment charge was recognised during the year ended 31 March 2019.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

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 2019 as follows:

– Continuing operations

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

– Discontinued operation

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 cost as well as head office and corporate expenses are excluded from such measurement.

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

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

5. SEGMENT INFORMATION AND REVENUE (continued)

Year ended 31 March 2019	Continuing operations	Discontinued operation	Total HK\$'000
	Renewable energy business HK\$'000	Restaurant operations HK\$'000	
Segment revenue:			
Sales to external customers	542,314	148,799	691,113
Segment result	48,264	8,110	56,374
<i>Reconciliation:</i>			
Finance costs			(5,761)
Corporate and other unallocated expenses			(8,067)
Profit before tax			42,546
Segment assets	465,923	–	465,923
<i>Reconciliation:</i>			
Corporate and other unallocated assets			20,630
Total assets			486,553
Segment liabilities	203,003	–	203,003
<i>Reconciliation:</i>			
Promissory note			40,340
Corporate and other unallocated liabilities			12,837
Total liabilities			256,180
Other segment information:			
Interest income	557	1	558
Depreciation and amortisation	4,166	8,054	12,220
Capital expenditure*	777	6,116	6,893
Unallocated:			
Interest income			9
Depreciation			32

* 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 2019

5. SEGMENT INFORMATION AND REVENUE (continued)

Year ended 31 March 2018	Continuing operations	Discontinued operation	Total HK\$'000
	Renewable energy business HK\$'000	Restaurant operations HK\$'000	
Segment revenue:			
Sales to external customers	685,947	221,704	907,651
Segment result	50,187	(6,722)	43,465
<i>Reconciliation:</i>			
Finance costs			(2,637)
Corporate and other unallocated expenses			(9,696)
Profit before tax			31,132
Segment assets	616,325	83,860	700,185
<i>Reconciliation:</i>			
Corporate and other unallocated assets			1,706
Total assets			701,891
Segment liabilities	366,857	66,484	433,341
<i>Reconciliation:</i>			
Promissory note			38,900
Corporate and other unallocated liabilities			6,169
Total liabilities			478,410
Other segment information:			
Interest income	679	1	680
Depreciation and amortisation	4,644	11,677	16,321
Capital expenditure*	17,111	25,465	42,576
Unallocated:			
Interest income			1
Depreciation			32
Capital expenditure*			6

* 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 2019

5. SEGMENT INFORMATION AND REVENUE (continued)

Geographic Information

(a) Revenue from external customers

	2019 HK\$'000	2018 HK\$'000
Hong Kong	148,799	221,704
Mainland China	542,314	685,947
	691,113	907,651

(b) Non-current assets

	2019 HK\$'000	2018 HK\$'000
Hong Kong	72	26,964
Mainland China	51,308	64,970
	51,380	91,934

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

Information about major customers

For the year ended 31 March 2019, revenue of approximately HK\$289,335,000 (2018: appropriately HK\$456,455,000) from three (2018: five) customers in the renewable energy business segment contributing over 10% of the total revenue of the Group.

For the years ended 31 March 2019 and 2018, there was no revenue from a single customer contributing over 10% of total revenue of the Group by the restaurant operations segment to a single customer.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

5. SEGMENT INFORMATION AND REVENUE (continued)

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 and sales of EPC materials business during the year. An analysis of revenue is as follows:

	2018 HK\$'000
Revenue	
Restaurant operations	221,704
Construction contracts and sales of EPC materials	685,947
	907,651

	2019 HK\$'000
Revenue from contracts with customers	
Restaurant operations	148,799
Provision of one-stop value added solution and sales of the patented photovoltaic tracking mounting bracket systems	542,314
	691,113

Revenue from contracts with customers

(i) Disaggregated revenue information

	2019 HK\$'000
Timing of revenue recognition	
At a point in time	148,799
Over time	542,314
	691,113

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

5. SEGMENT INFORMATION AND REVENUE (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Restaurant operations

The performance obligation is satisfied when the catering services have been provided to customers. The Group's trading terms with its customers are mainly on cash, credit card and smart card settlement.

Provision of one-stop value added solution and sales of the patented photovoltaic tracking mounting bracket systems

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days to 90 days from the date of billing.

6. OTHER INCOME

	2019 HK\$'000	2018 HK\$'000
Continuing operations		
Interest income	566	680
Sales of electricity income	6,292	3,777
Net realised and unrealised gains on other financial assets	96	-
Others	142	71
	7,096	4,528

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

6. OTHER INCOME (continued)

	2019 HK\$'000	2018 HK\$'000
Discontinued operation		
Interest income	1	1
Management income	–	1,920
Others	157	202
	158	2,123

7. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Continuing operations		
Interest expense on promissory note	754	–
Interest expense on bank borrowings	4,321	1,184
	5,075	1,184

	2019 HK\$'000	2018 HK\$'000
Discontinued operation		
Interest expense on promissory note	686	1,453
	686	1,453

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

8. PROFIT BEFORE TAX

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

	2019 HK\$'000	2018 HK\$'000
Continuing operations		
Amortisation of intangible assets	1,387	579
Auditors' remuneration	1,600	1,500
Depreciation	2,811	4,097
Lease payments under operating lease in respect of land and buildings:		
Minimum lease payments	1,361	4,034
Contract costs:		
Cost of construction materials and supplies	387,769	453,115
Subcontracting charges	39,607	107,693
Labour cost	27,332	23,399
Transportation	4,708	3,886
Machine and vehicle rental expenses	4,348	5,992
Other expenses	4,740	6,050
	468,504	600,135
Employee benefits expenses (excluding directors' and chief executive's remuneration):		
Salaries, wages and other benefits	13,483	13,879
Retirement benefit scheme contributions	2,116	2,826
	15,599	16,705
Impairment of items of property, plant and equipment	–	2,190
Net reversal of impairment losses on financial and contract assets	(592)	–
Loss on disposal of items of property, plant and equipment	123	66
Foreign exchange differences, net	(26)	38

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

8. PROFIT BEFORE TAX (continued)

	2019 HK\$'000	2018 HK\$'000
Discontinued operation		
Cost of food and beverage	42,492	63,698
Amortisation of intangible assets	189	273
Depreciation	7,865	11,404
Lease payments under operating lease in respect of land and buildings:		
Minimum lease payments	33,408	48,928
Contingent rents	162	574
	33,570	49,502
Employee benefits expenses (excluding directors' and chief executive's remuneration):		
Salaries, wages and other benefits	45,477	70,503
Retirement benefit scheme contributions	1,867	2,809
	47,344	73,312
Net reversal of impairment losses on financial assets	(7)	–
Reversal of provision for reinstatement costs	(278)	(1,687)
Loss on disposal of items of property, plant and equipment	400	2,174
Loss on disposal of intangible assets	26	37
Foreign exchange differences, net	–	1

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, is as follows:

	2019 HK\$'000	2018 HK\$'000
Fees	2,652	1,507
Other emoluments:		
Salaries, allowances and benefits in kind	1,726	1,565
Retirement benefit scheme contributions	179	81
	4,557	3,153

(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 2019					
Ms. Zhou Yuan	100	-	-	-	100
Mr. Wang Xiaoxiong	100	-	-	-	100
Mr. Yuan Jiangang	100	-	-	-	100
	300	-	-	-	300
Year ended 31 March 2018					
Ms. Zhou Yuan	100	-	-	-	100
Mr. Wang Xiaoxiong	95	-	-	-	95
Mr. Yuan Jiangang (Appointed on 26 May 2017)	85	-	-	-	85
Ms. Au Man Yi (Resigned on 26 May 2017)	15	-	-	-	15
	295	-	-	-	295

There were no other emoluments payable to the independent non-executive directors during the year (2018: nil).

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

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

(b) 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 2019					
Mr. Wu Jian Nong (Chief Executive Officer)	540	391	–	92	1,023
Ms. Shen Meng Hong	604	445	–	29	1,078
Mr. Xu Shui Sheng	604	445	–	29	1,078
Mr. Zhou Jian Ming	604	445	–	29	1,078
	2,352	1,726	–	179	4,257
Year ended 31 March 2018					
Mr. Wu Jian Nong (Chief Executive Officer)	306	485	–	19	810
Ms. Shen Meng Hong	302	360	–	26	688
Mr. Xu Shui Sheng	302	360	–	26	688
Mr. Zhou Jian Ming	302	360	–	10	672
	1,212	1,565	–	81	2,858

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: nil).

During the years ended 31 March 2019 and 2018, 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 2019

10. FIVE HIGHEST PAID EMPLOYEES

Four (2018: Two) of the five highest paid employees were directors of the Company for the year ended 31 March 2019.

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

	2019 HK\$'000	2018 HK\$'000
Salaries, allowances and benefits in kind	308	3,400
Discretionary bonuses	27	80
Retirement benefit scheme contributions	16	18
	351	3,498

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	
	2019	2018
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$2,000,000	–	2
	1	3

During the years ended 31 March 2019 and 2018, 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 2019

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% (2018: 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.

	2019 HK\$'000	2018 HK\$'000
Continuing operations		
Current tax – PRC		
Charge for the year	9,813	8,964
Discontinued operation		
Current tax – Hong Kong		
Charge for the year	1,109	199
Total tax charge for the year	10,922	9,163

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:

	2019 HK\$'000	2018 HK\$'000
Profit before tax	42,546	31,132
Tax at Hong Kong profits tax rate at 16.5%	7,020	5,137
Tax effect of different tax rate of subsidiaries operating in the PRC	3,234	4,025
Tax effect of expenses not deductible for tax purpose	5,543	3,250
Tax effect of temporary differences not recognised	(3,734)	(1,029)
Tax concession granted by local authority	(84)	(918)
Tax effect of tax losses not recognised	1,387	2,573
Utilisation of tax losses previously not recognised	(2,444)	(3,875)
Income tax expense for the year	10,922	9,163

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

12. DISCONTINUED OPERATION

On 19 December 2018, the Group disposed its entire equity interest in Glory Kind Development Limited (“Glory Kind”). The results of the restaurant operations carried out by the Group up to the date of disposal is presented in the consolidated financial statements of the Group as discontinued operation. The comparative figures in the consolidated statement of profit or loss have been restated to re-present the restaurant operations as a discontinued operation.

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	5	148,799	221,704
Other income	6	158	2,123
Cost of food and beverage		(42,492)	(63,698)
Staff costs		(47,344)	(73,312)
Depreciation and amortisation		(8,054)	(11,677)
Property rentals and related expenses		(33,570)	(51,263)
Fuel and utility expenses		(3,068)	(4,762)
Administration and other operating expenses		(15,401)	(25,837)
Finance costs	7	(686)	(1,453)
Loss before tax	8	(1,658)	(8,175)
Income tax expense	11	(1,109)	(199)
		(2,767)	(8,374)
Gain on disposal of a subsidiary		9,083	-
Profit/(loss) for the year from discontinued operation		6,316	(8,374)

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

13. DIVIDENDS

During the year ended 31 March 2019, no dividends have been paid or declared by the Company (2018: nil).

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

	2019 HK\$'000	2018 HK\$'000
Earnings/(loss)		
Profit/(loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per share		
– Continuing operations	23,424	28,922
– Discontinued operation	6,216	(7,916)
	29,640	21,006
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	818,000	818,000

For the year ended 31 March 2019, 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 ended 31 March 2019.

For the year ended 31 March 2018, the calculation of the basic earnings/(loss) per share attributable to owners of the Company was based on (i) the profit/(loss) attributable to owners of the Company and (ii) the weighted average number of ordinary shares in issue during the year ended 31 March 2018 as adjusted retrospectively to reflect the impact of bonus shares completed on 1 November 2017.

The diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2019 and 2018.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

15. 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 2019							
At 31 March 2018 and 1 April 2018:							
Cost	52,319	9,232	17,854	2,260	54,455	2,272	138,392
Accumulated depreciation and impairment	(35,616)	(4,716)	(10,140)	(1,095)	(4,059)	(1,823)	(57,449)
Net carrying amount	16,703	4,516	7,714	1,165	50,396	449	80,943
At 1 April 2018, net of accumulated depreciation and impairment							
Additions	5,319	591	510	2	-	264	6,686
Disposal during the year	(76)	(540)	(157)	(133)	(5,077)	-	(5,983)
Reclassification	-	-	-	-	683	(683)	-
Elimination on disposal of a subsidiary	(16,153)	(1,280)	(5,589)	-	-	-	(23,022)
Transfer	-	(287)	(120)	-	-	-	(407)
Exchange realignment	-	(224)	(77)	(135)	(3,525)	(30)	(3,991)
Depreciation provided during the year	(5,793)	(889)	(1,782)	(389)	(1,823)	-	(10,676)
At 31 March 2019, net of accumulated depreciation and impairment	-	1,887	499	510	40,654	-	43,550
At 31 March 2019:							
Cost	-	2,987	1,048	1,583	46,473	-	52,091
Accumulated depreciation and impairment	-	(1,100)	(549)	(1,073)	(5,819)	-	(8,541)
Net carrying amount	-	1,887	499	510	40,654	-	43,550
31 March 2018							
At 1 April 2017:							
Cost	48,575	13,446	15,664	2,028	42,715	6,338	128,766
Accumulated depreciation and impairment	(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
At 1 April 2017, net of accumulated depreciation and impairment							
Additions	17,249	637	6,920	32	7,129	2,534	34,501
Disposal during the year	(1,337)	(2,561)	(186)	-	-	-	(4,084)
Reclassification	-	523	(523)	-	-	-	-
Elimination on disposal of a subsidiary	-	-	-	-	-	(6,917)	(6,917)
Impairment	-	-	-	-	-	(2,190)	(2,190)
Exchange realignment	-	437	103	159	4,462	684	5,845
Depreciation provided during the year	(8,087)	(1,789)	(2,590)	(508)	(2,527)	-	(15,501)
At 31 March 2018, net of accumulated depreciation and impairment	16,703	4,516	7,714	1,165	50,396	449	80,943
At 31 March 2018:							
Cost	52,319	9,232	17,854	2,260	54,455	2,272	138,392
Accumulated depreciation and impairment	(35,616)	(4,716)	(10,140)	(1,095)	(4,059)	(1,823)	(57,449)
Net carrying amount	16,703	4,516	7,714	1,165	50,396	449	80,943

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

16. INTANGIBLE ASSETS

	Development cost HK\$'000	Franchise HK\$'000	Computer software HK\$'000	Total HK\$'000
31 March 2019				
At 31 March 2018 and 1 April 2018:				
Cost	8,830	3,096	1,285	13,211
Accumulated amortisation	(294)	(1,755)	(317)	(2,366)
Net carrying amount	8,536	1,341	968	10,845
At 1 April 2018, net of accumulated amortisation				
Additions	–	–	207	207
Disposal during the year	–	(26)	–	(26)
Amortisation provided during the year	(824)	(189)	(563)	(1,576)
Elimination on disposal of a subsidiary	–	(1,126)	–	(1,126)
Exchange alignment	(564)	–	(64)	(628)
At 31 March 2019, net of accumulated amortisation	7,148	–	548	7,696
At 31 March 2019:				
Cost	8,248	–	1,407	9,655
Accumulated amortisation	(1,100)	–	(859)	(1,959)
Net carrying amount	7,148	–	548	7,696
31 March 2018				
At 1 April 2017:				
Cost	3,034	1,883	–	4,917
Accumulated amortisation	–	(1,561)	–	(1,561)
Net carrying amount	3,034	322	–	3,356
At 1 April 2018, net of accumulated amortisation				
Additions	5,467	1,329	1,285	8,081
Disposal during the year	–	(37)	–	(37)
Amortisation provided during the year	(279)	(273)	(300)	(852)
Exchange alignment	314	–	(17)	297
At 31 March 2018, net of accumulated amortisation	8,536	1,341	968	10,845
At 31 March 2018:				
Cost	8,830	3,096	1,285	13,211
Accumulated amortisation	(294)	(1,755)	(317)	(2,366)
Net carrying amount	8,536	1,341	968	10,845

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

17. LEASE PREPAYMENTS

The Group's lease prepayments comprise:

	2019 HK\$'000	2018 HK\$'000
Carrying amount at 1 April	149	–
Recognised during the year	–	149
Charge for the year	(3)	–
Exchange realignment	(9)	–
Carrying amount at 31 March	137	149
Current portion	(3)	(3)
Non-current portion	134	146

The Group's lease prepayments represents the land use right in the PRC. The amortisation charge for the year is included in the administrative and other operating expenses in the consolidated profit or loss.

18. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ establishment/ operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2019	2018	
Glory Kind Development Limited [^]	BVI	US\$1,000	–	100% (direct)	Investment holding
Elite Sheen Holdings Limited	BVI	US\$1,000	100% (direct)	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

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

18. 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
			2019	2018	
Gain Shine Holdings Limited	Samoa	US\$1	–	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
Ina (HK) Limited	Hong Kong	HK\$10,000	–	100% (indirect)	Restaurant operation
JC Group (HK) Limited	Hong Kong	HK\$10,000	–	100% (indirect)	Restaurant operation
Le 39 V Limited	Hong Kong	HK\$1	–	100% (indirect)	Restaurant operation
Sky Dining Limited	Hong Kong	HK\$1	–	100% (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
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)	100% (indirect)	Investment holding

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

18. 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
			2019	2018	
Tonking New Energy Technology (Shanghai) Limited ¹ (同景新能源科技(上海)有限公司)	PRC	HK\$633,820,000 (RMB100,146,163 has been paid up)	100% (indirect)	100% (indirect)	Research and development of solar power technology, the EPC business and sale of photovoltaic mounting and tracking system materials
Tonking New Energy Technology (Jiangshan) Limited ^{*2} (同景新能源科技(江山)有限公司)	PRC	RMB50,000,000 (RMB50,000,000 has been paid up)	100% (indirect)	100% (indirect)	Research and development of solar power technology, the EPC business and sale of photovoltaic mounting and tracking system materials
Zhenping County Tong Jing New Energy Limited* (鎮平縣同景新能源有限公司)	PRC	RMB50,000,000 (not yet paid up)	100% (indirect)	100% (indirect)	Sale of electricity
Jin Zhai Xian Tong Jing New Energy Limited ^{*2} (金寨縣同景新能源有限公司)	PRC	RMB40,000,000 (RMB40,000,000 has been paid up)	60% (indirect)	60% (indirect)	Research and development of solar power technology, sale of photovoltaic mounting and tracking system materials and sale of electricity
Nan Zhang Xian Tong Jing New Energy Limited ^{*2} (南漳縣同景新能源有限公司)	PRC	RMB200,000,000 (RMB300,000 has been paid up)	–	100% (indirect)	Research and development of solar power technology; consultation of solar power plant technology and the EPC business

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

18. 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
			2019	2018	
Huai Nan Shi Tong Jing New Energy Limited* ² (淮南市同景新能源有限公司)	PRC	RMB100,000,000 (RMB3,700,000 has been paid up)	–	100% (indirect)	Sales and production of agricultural and aquaculture technology, and sale of electricity
Lin Yi Shi New Energy Limited* ² (臨沂市同景新能源有限公司)	PRC	RMB50,000,000 (RMB5,600,000 has been paid up)	100% (indirect)	100% (indirect)	Sale of electricity
Hargin Zvo Yi Huo Qi Tong Jing New Energy Limited* ² (科爾沁左翼後旗同景新能源有限公司)	PRC	RMB80,000,000 (not yet paid up)	100% (indirect)	100% (indirect)	Not yet commence business

¹ wholly-owned foreign enterprise

² private limited liability company

[^] At 31 March 2018, the issued share capital of the Glory Kind Development Limited were pledged under shares charges to secured promissory note of the Group (note 29)

19. INVENTORIES

	2019 HK\$'000	2018 HK\$'000
Materials for construction contracts	30,307	36,091
Food and beverage, and other operating items for restaurant operations	–	1,758
	30,307	37,849

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

20. CONTRACT ASSETS/LIABILITIES

Contract assets

	31 March 2019 HK\$'000	1 April 2018* HK\$'000
Contract assets arising from construction service	96,426	84,118
Less: loss allowance	(33)	(320)
	96,393	83,798

* The amounts in this column are after the adjustments from the application of HKFRS 9 and 15.

Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on factors other than passage of time. The contract assets are transferred to trade receivables when the rights become unconditional.

Included in contract assets comprises retention receivables of approximately HK\$84,980,000 as at 31 March 2019, after recognition of loss allowance of approximately HK\$30,000, the carrying amount of retention receivables was approximately HK\$84,950,000.

The expected timing of recovery or settlement for contract assets as at 31 March 2019 is as follows:

	HK\$'000
Within one year	46,199
More than one year	50,227
	96,426

The movements in the loss allowance for impairment of contract assets are as follows:

	2019 HK\$'000
At beginning of year	–
Effect of adoption of HKFRS 9	320
At beginning of year (restated)	320
Net reversal of impairment loss	(287)
At end of year	33

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

20. CONTRACT ASSETS/LIABILITIES (continued)

Contract assets (continued)

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. At 31 March 2019, the probability of default applied ranged from 0.045% to 53% and the loss given default rate was estimated to be 24%.

Contract liabilities

	31 March 2019 HK\$'000	1 April 2018* HK\$'000
Advances received from customers		
Construction services	12,357	8,211

21. TRADE AND BILLS RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Trade receivables	145,956	263,826
Bills receivables	53,011	155,241
	198,967	419,067
Less: loss allowances	(463)	-
	198,504	419,067

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.

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. Trade receivables are non-interest-bearing.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

21. TRADE AND BILLS RECEIVABLES (continued)

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

	2019 HK\$'000	2018 HK\$'000
Within one month	26,874	53,413
Over one month but less than three months	25,789	100,192
Over three months	146,304	265,462
	198,967	419,067

The movements in the loss allowance for trade and bills receivables are as follows:

	2019 HK\$'000
At 31 March 2018	–
Effect of adoption of HKFRS 9	852
At 1 April 2018 (restated)	852
Net reversal of impairment loss	(389)
At 31 March 2019	463

Impairment under HKFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. At 31 March 2019, the probability of default applied ranged from 0.045% to 53% and the loss given default rate was estimated to be 24%.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

21. TRADE AND BILLS RECEIVABLES (continued)

Impairment under HKFRS 9 for the year ended 31 March 2019 (continued)

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

	2018 HK\$'000
Neither past due nor impaired	355,016
Less than one month past due	10,947
One to three months past due	–
More than three months but within one year past due	43,566
More than one year past due	9,538
	419,067

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.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Prepayments	2,295	1,014
Rental deposits	–	20,270
Prepayments to supplier for purchase of materials	4,143	20,026
Utility and other deposits	105	6,709
Other receivables	21,594	26,730
	28,137	74,749
Current portion included in prepayments, deposits and other receivables	(26,970)	(60,641)
	1,167	14,108

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

23. OTHER FINANCIAL ASSETS

At 31 March 2019, the Group's other financial assets represent financial products issued by banks, with short maturities and expected returns ranging from 2.8% to 3.5% per annum. The investments in financial products are classified as financial assets at fair value through profit or loss at initial recognition and measured at fair value at the end of the reporting period. The directors of the Company consider the fair value of the financial products approximate to the carrying amount as at 31 March 2019 because of their short maturities. The financial products at 31 March 2019 was fully redeemed by May 2019. The change in fair value up to the date of redemption was not significant.

24. BALANCES WITH RELATED PARTIES

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

	31 March 2019	Maximum amount outstanding during the year	1 April 2018
	HK\$'000	HK\$'000	HK\$'000
Amounts due from related parties			
Supreme Glory (HK) Limited (<i>note vi</i>)	–	264	264
JC & Associates Limited (<i>note vi</i>)	–	1,727	1,727
Well-In Hotel Supplies Co Limited (<i>note iii</i>)	–	271	3
Inakaya (China) Limited (<i>note vi</i>)	–	513	513
Great Lead Inc Limited (<i>note vi</i>)	–	1,011	1,011
Victory Stand International Limited (<i>note i</i>)	–	37	37
Way Full Limited (<i>note iii</i>)	–	3	3
江山世明水晶玻璃有限公司 (<i>note x</i>)	–	3,062	3,062
Jiangshan Youhe Machinery Co., Ltd. (<i>note xi</i>)	55	305	–
Zhejiang Xingcai Agricultural Technology Co., Ltd. (<i>note xii</i>)	84	372	–
	139		6,620

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

24. BALANCES WITH RELATED PARTIES (continued)

	31 March 2018 HK\$'000	Maximum amount outstanding during the year HK\$'000	1 April 2017 HK\$'000
Amounts due from related parties			
Supreme Glory (HK) Limited (<i>note vi</i>)	264	426	426
JC & Associates Limited (<i>note vi</i>)	1,727	2,348	718
Well-In Hotel Supplies Co Limited (<i>note iii</i>)	3	11	-
Rich Base Limited (<i>note iii</i>)	-	75	75
Inakaya (China) Limited (<i>note vi</i>)	513	1,134	1,134
Great Lead Inc Limited (<i>note vi</i>)	1,011	1,011	-
Victory Stand International Limited (<i>note i</i>)	37	47	27
Way Full Limited (<i>note iii</i>)	3	3	-
江山世明水晶玻璃有限公司 (<i>note x</i>)	3,062	3,258	-
	6,620		2,380

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

	2019 HK\$'000	2018 HK\$'000
Amounts due to related parties		
Mr. Wu Kai Char (<i>notes i and ii</i>)	-	17,858
Ms. Wong Wai Ling (<i>note ii</i>)	-	17,958
Victory Stand International Limited (<i>note i</i>)	10	-
Rise Triumph Limited (<i>note i</i>)	11,000	4,000
浙江同景新能源集團有限公司 (<i>note viii</i>)	1	105,528
	11,011	145,344

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

24. BALANCES WITH RELATED PARTIES (continued)

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, former substantial shareholder of the Company
- (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
- (xi) Controlled by Mr. Wu Jian Nong, Mr. Xu Shui Sheng and Mr. Zhou Jian Ming
- (xii) Controlled by Mr. Wu Jian Nong and Mr. Xu Shui Sheng

Amounts due from related parties are unsecured, interest-free and repayable on demand.

Amounts due to related parties are unsecured, interest-free and repayable on demand, except for the amounts due to Rise Triumph Limited and 浙江同景新能源集團有限公司 which is repayable on September 2019 and August 2018 respectively.

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.

25. CASH AND CASH EQUIVALENTS

	2019 HK\$'000	2018 HK\$'000
Cash and bank balances	78,659	69,831
Cash and cash equivalents denominated in:		
HK\$	20,263	19,446
Renminbi ("RMB")	57,956	50,011
United States dollars ("US\$")	440	374
	78,659	69,831

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

25. CASH AND CASH EQUIVALENTS (continued)

Cash at banks earn interest at floating rates based on daily bank deposit rates. The bank balances 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\$57,956,000 (2018: approximately HK\$50,011,000). 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 bank authorized to conduct foreign exchange business.

26. TRADE AND BILLS PAYABLES

	2019 HK\$'000	2018 HK\$'000
Trade payables	36,216	54,215
Bills payables	43,756	110,605
	79,972	164,820

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:

	2019 HK\$'000	2018 HK\$'000
Within one month	25,326	55,473
Over one month but less than two months	3,553	13,829
Over two months	51,093	95,518
	79,972	164,820

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

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

27. OTHER PAYABLES AND ACCRUALS

	2019 HK\$'000	2018 HK\$'000
Deferred income	–	1,240
Other payables	5,831	28,794
Accruals	3,364	15,405
Advance from customers for construction contracts	–	8,211
Customer deposits	–	698
	9,195	54,348

Other payables are non-interest-bearing.

28. BALANCES WITH NON-CONTROLLING SHAREHOLDERS

	2019 HK\$'000	2018 HK\$'000
Due from non-controlling shareholders of subsidiaries	–	41
Due to non-controlling shareholders of subsidiaries	–	1,000

At 31 March 2018, balances non-controlling shareholders of subsidiaries were unsecured, interest-free and repayable on demand.

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

29. PROMISSORY NOTE

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

	2019 HK\$'000	2018 HK\$'000
Promissory note	40,340	38,900
Analysis into:		
Within 1 year	40,340	38,900
	40,340	38,900

Significant terms and repayment schedule of promissory note:

On 9 September 2015, 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. Pursuant to the deed of novation dated 29 September 2017, it is agreed that, among others, Glory Kind shall transfer and novate to the Company the payment obligations of the promissory note. During the year ended 31 March 2019, the Company extended the promissory note of several times and the new maturity date is 7 March 2020, the terms remain unchanged upon the extension.

Interest expense on the promissory note is calculated using the effective interest method by applying the effective interest rate of 3.70% to the liability component.

	2019 HK\$'000	2018 HK\$'000
At beginning of year	38,900	37,447
Interest expenses	1,440	1,453
At end of year	40,340	38,900

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

30. BANK BORROWINGS

The analysis of the carrying amount of bank borrowings is as follows:

	2019			2018		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Bank loan – guarantee (note)	4.40-5.92	2019-2020	103,171	4.57-5.75	2018-2019	62,399

	2019 HK\$'000	2018 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	103,171	62,399

Note:

As at 31 March 2019, the Group's bank loans were denominated in RMB, which were guaranteed by Mr. Wu Jian Nong and his spouse, Jiang Shan Shi Ming Crystal Limited, Zhi Jiang Tonking New Energy Group Limited, Singkey Group Limited and Quzhou Oster Lighting Co., Ltd. which are the related parties of the Group. The average effective interest rate on the bank loans was 5.59% and was repayable within one year.

As at 31 March 2018, the Group's bank loans were denominated in RMB, which were guaranteed by Mr. Wu Jian Nong and his spouse, Jiang Shan Shi Ming Crystal Limited and Zhi Jiang Tonking New Energy Group Limited, which are the related parties of the Group. The average effective interest rate on the bank loans was 5.28% and was repayable within one year.

31. DEFERRED TAX

The Group has unused tax losses in total of nil and approximately HK\$26,723,000 as at 31 March 2019 and 2018 respectively, subject to agreement by the Inland Revenue Department, 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 2019, deferred tax liabilities of approximately HK\$13,387,000 (2018: approximately HK\$9,896,000) 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 reverse in the foreseeable future.

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

32. ISSUED CAPITAL

	Number of ordinary share of HK\$0.01 each	Nominal value of ordinary shares HK\$'000
Authorised:		
At 1 April 2017, 31 March 2018 and 31 March 2019	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2017	409,000,000	4,090
Issue of bonus shares	409,000,000	4,090
At 31 March 2018 and 31 March 2019	818,000,000	8,180

Note:

On 27 September 2017, the directors of the Company proposed a bonus issue of shares, credited as fully paid by way of capitalisation of the Company's share premium account, on the basis of one bonus share for every one existing share on 25 October 2017. The proposed bonus issue of shares had been approved by the shareholders of the Company on 17 October 2017.

33. 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

33. SHARE OPTION SCHEMES (continued)

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.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved 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).

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

33. SHARE OPTION SCHEMES (continued)

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 2014, 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 options outstanding as at 31 March 2019 and 2018.

34. 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 to the consolidated financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2019	2018
Percentage of equity interest held by non-controlling interests:		
Jin Zhai Xian Tong Jing New Energy Limited	40%	40%
	2019	2018
	HK\$'000	HK\$'000
Profit for the year allocated to non-controlling interests:		
Jin Zhai Xian Tong Jing New Energy Limited	1,884	1,421
Accumulated balances of non-controlling interests at the reporting date:		
Jin Zhai Xian Tong Jing New Energy Limited	19,651	22,465

The following tables illustrate the summarized financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Jin Zhai Xian Tong Jing New Energy Limited

	2019	2018
	HK\$'000	HK\$'000
Revenue	7,036	6,613
Total expenses	(2,329)	(3,061)
Profit for the year	4,707	3,552
Total comprehensive income for the year	4,812	8,320
Current assets	13,344	11,091
Non-current assets	36,013	45,624
Current liabilities	(226)	(551)
Net cash flows used in operating activities	8,782	967
Net cash flows used in investing activities	(708)	(5,439)
Net cash flows generated from financing activities	(8,044)	3,689
Net decrease in cash and cash equivalents	30	(783)

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

36. DISPOSALS OF SUBSIDIARIES

On 29 September 2017, the Company and Happy Kind Holdings Limited (the “Purchaser”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”). Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the sale shares, representing the entire issued share capital of Glory Kind, at the consideration of HK\$50,505,000 (the “Disposal”). Glory Kind and its subsidiaries (“Disposal Group”) is principally engaged in the operation and management of restaurants and cake shops in Hong Kong.

The consideration of HK\$50,505,000 were satisfied by the Purchaser at completion by (i) HK\$23,000,000 in cash; and (ii) the entering of the second deed of novation at the completion date to transfer and novate from the Company to the Purchaser the payment obligation of the indebtedness amounting to approximately HK\$27,505,000 to Glory Kind.

All the conditions precedent under the Sale and Purchase Agreement have been fulfilled, and the completion took place on 19 December 2018. Following the completion, the Company ceased to hold any equity interest of the Disposal Group and each member of the Disposal Group shall cease to be a subsidiary of the Company. The financial results of the Disposal Group will no longer be consolidated into the Company’s consolidated financial statements.

The net assets of the Disposal Group at the date of disposal were as follows:

	2019 HK\$’000
Property, plant and equipment	23,022
Intangible assets	1,126
Non-current rental deposits	13,561
Inventories	1,774
Trade receivables	2,643
Prepayments, deposits and other receivables	12,111
Due from related parties and non-controlling shareholders	30,662
Tax recoverable	1,039
Cash and cash equivalents	19,212
Trade payables	(8,932)
Other payables and accruals	(16,257)
Due to related parties and non-controlling shareholders	(29,997)
Tax payable	(1,301)
Provision for reinstatement costs	(7,534)
	41,129

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

36. DISPOSALS OF SUBSIDIARIES (continued)

Gain on disposal of the subsidiary is as follows:

	2019 HK\$'000
Total consideration	50,505
Net assets value of the disposal group as at 19 December 2018	(41,129)
Non-controlling interests of the Disposal Group as at 19 December 2018	3,950
Transaction costs and expenses	(4,243)
Gain on the Disposal as at 19 December 2018	9,083

An analysis of the net flow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2019 HK\$'000
Cash consideration	23,000
Less: transaction costs and expenses	(4,243)
Net cash proceed received upon the Disposal at 19 December 2018	18,757
Less: Cash and bank balance of Disposal Group as at 19 December 2018	(19,212)
Net cash flow from the disposal as at 19 December 2018	(455)

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

36. DISPOSALS OF SUBSIDIARIES (continued)

On 27 June 2017, a wholly-owned subsidiary Tonking New Energy Technology (Jiangshan) Limited* (同景新能源科技(江山)有限公司) (previously known as Jiangshan Tonking Photovoltaic Co., Ltd (江山市同景光伏有限公司)) disposed its entire interest of its subsidiary, Jiangshan Xiaokang Photovoltaic Co., Ltd. Details of its subsidiary disposed during the year ended 31 March 2018 are set out below:

	2018 HK\$'000
Property, plant and equipment	6,917
Bank balance	2,507
Other receivables	1,177
Other payables	(6)
	10,595
Gain on disposal of subsidiary	-
Satisfied by:	
Cash	10,595

An analysis of the net cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2018 HK\$'000
Cash consideration	10,595
Cash and bank balances disposed of	(2,507)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	8,088

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Promissory note HK\$'000	Bank loans HK\$'000
At 1 April 2017	37,447	–
Changes from financing cash flows	–	62,399
Interest expense	1,453	1,184
Interest paid classified as operating cash flows	–	(1,184)
At 31 March 2018	38,900	62,399
At 1 April 2018	38,900	62,399
Changes from financing cash flows	–	35,013
Interest expense	1,440	4,321
Interest paid classified as operating cash flows	–	(4,321)
Exchange realignment	–	5,759
At 31 March 2019	40,340	103,171

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

38. PROVISION FOR REINSTATEMENT COSTS

	2019 HK\$'000	2018 HK\$'000
At beginning of year	7,812	7,364
Additional provision	–	2,135
Reversed during the year	(278)	(1,687)
Elimination on disposal of a subsidiary	(7,534)	–
At end of year	–	7,812
Analysis into		
Current portion	–	1,094
Non-current portion	–	6,718
At end of year	–	7,812

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.

39. 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 contributions 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\$4,162,000 for the year ended 31 March 2019 (2018: approximately HK\$5,716,000). The amount was recognised in the statement of profit or loss for the year ended 31 March 2019.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

40. 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:

	2019 HK\$'000	2018 HK\$'000
JC & Associates Limited (<i>note (i)</i>)		
– purchase of food	–	2,643
– management income	–	1,920
R & C Corporate Services Limited (<i>note (i)</i>)		
– corporate service fee	84	186
Well-In Hotel Supplies Company Limited (<i>note (i)</i>)		
– purchase of kitchen utensils	47	1,378
– administrative expenses	–	255
– management fee	224	385
Jiang Shan Shi Ming Crystal Limited (<i>note (ii)</i>)		
– rental expenses	–	2,155
– disposal of property, plant and equipment	–	2,249
– acquisition of property, plant and equipment	–	–
Jiangshan Youhe Machinery Co., Ltd. (<i>note (iii)</i>)		
– rental expenses	325	–
Zhejiang Xingcai Agricultural Technology Co., Ltd. (<i>note (iv)</i>)		
– rental expenses	287	–

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.

Notes:

- (i) These related companies are controlled by Mr. Wu Kai Char and/or Ms. Wong Wai Ling.
- (ii) The related party is controlled by Mr. Wu Jian Nong, Mr. Xu Shui Sheng and Ms. Shen Meng Hong, executive directors of the Company.
- (iii) The related party is controlled by Mr. Wu Jian Nong, Mr. Xu Shui Sheng and Mr. Zhou Jian Ming, executive directors of the Company.
- (iv) The related party is controlled by Mr. Wu Jian Nong and Mr. Xu Shui Sheng, executive directors of the Company.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

40. RELATED PARTY TRANSACTIONS (continued)

- (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:

	2019 HK\$'000	2018 HK\$'000
Short term employee benefits	2,184	3,357
Post-employment benefits	99	99
	2,283	3,456

41. 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 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	197	35,095
In the second to fifth years, inclusive	–	40,889
	197	75,984

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 2019

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41 above, the Group had the following capital commitments at the end of the reporting period.

	2019 HK\$'000	2018 HK\$'000
Contracted, but not provided for property, plant and equipment	13	65
	13	65

43. FINANCIAL INSTRUMENTS BY CATEGORY

	2019 HK\$'000	2018 HK\$'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost:		
– Trade and bills receivables	195,804	–
– Financial assets included in prepayments, deposits and other receivables	25,842	–
– Due from related parties	139	–
– Cash and cash equivalents	78,659	–
	300,444	–
Loans and receivables:		
– Trade and bills receivables	–	419,067
– Financial assets included in prepayments, deposits and other receivables	–	60,641
– Due from a director	–	747
– Due from related parties	–	6,620
– Due from non-controlling shareholders	–	41
– Cash and cash equivalents	–	69,831
	–	556,947
Financial assets at fair value through profit or loss		
– Other financial assets	3,031	–

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	2019 HK\$'000	2018 HK\$'000
Liabilities as per consolidated statement of financial position		
At amortised costs:		
– Trade and bills payables	79,972	164,820
– Financial liabilities included in other payables and accruals	9,195	44,200
– Due to related parties	11,011	145,344
– Due to non-controlling shareholders	–	1,000
– Promissory note	40,340	38,900
– Bank borrowings	103,171	62,399
	243,689	456,663

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, borrowings 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 payables, other payables and accruals and balances with ultimate holding company, 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging as at 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts for financial assets.

	ECLs		Lifetime ECLs		Total HK\$'000
	12-month			Simplified	
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	approach HK\$'000	
Contract assets	–	–	–	96,393	96,393
Trade and bills receivables	–	–	–	198,504	198,504
Financial assets included in prepayments, deposits and other receivables	25,842	–	–	–	25,842
Due from related parties	139	–	–	–	139
Cash and cash equivalents	78,659	–	–	–	78,659
	104,640	–	–	294,897	399,537

Maximum exposure as at 31 March 2018

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 ultimate holding company, 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 2019 and 2018, 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 and bills receivables are disclosed in note 21 to the financial statements.

Interest rate risk

The Group's interest rate risk arises primarily from the Group's bank borrowings and promissory note. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2019		2018	
	Effective interest rates	HK\$'000	Effective interest rates	HK\$'000
	%		%	
Variable rate borrowings:				
Bank loans				
Short term loans	5.59	103,171	5.28	62,399
Total borrowings		103,171		62,399

(ii) Sensitivity analysis

At 31 March 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit before tax by approximately HK\$58,000 (2018: HK\$12,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit before tax that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit before tax is estimated as an annualised impact on interest expense of such a change in interest rates.

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 2019

44. 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 2019				
Trade and bills payables	79,972	–	–	79,972
Financial liabilities included in other payables and accruals	9,195	–	–	9,195
Due to related parties	11,011	–	–	11,011
Promissory note	41,740	–	–	41,740
Bank borrowings	103,171	–	–	103,171
	245,089	–	–	245,089
As at 31 March 2018				
Trade and bills payables	164,820	–	–	164,820
Financial liabilities included in other payables and accruals	44,200	–	–	44,200
Due to related parties	145,344	–	–	145,344
Due to non-controlling shareholders	1,000	–	–	1,000
Promissory note	39,305	–	–	39,305
Bank borrowings	64,608	–	–	64,608
	459,277	–	–	459,277

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values measurement

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, other financial assets, financial assets included in prepayments, deposits and other receivables, amounts due from a director, related parties and non-controlling shareholders and financial liabilities included in trade and bills payables, other payables and accruals, amounts due to related parties and non controlling shareholders, promissory note and bank borrowings approximate to their carrying amounts due to the short-term maturities of these assets and liabilities.

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. 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 2019 and 2018.

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:

	2019 HK\$'000	2018 HK\$'000
Due to related parties	11,011	145,344
Due to non-controlling shareholders	–	1,000
Promissory note	40,340	38,900
Bank borrowings	103,171	62,399
Total debts	154,522	247,643
Total equity	230,373	223,481
Total capital	384,895	471,124
Gearing ratio	40%	53%

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

45. 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:

	2019 HK\$'000	2018 HK\$'000
NON-CURRENT ASSET		
Investments in subsidiaries	8	59,606
CURRENT ASSETS		
Due from subsidiaries	131,215	67,160
Cash and cash equivalents	44	44
Total current assets	131,259	67,204
CURRENT LIABILITIES		
Accruals	1,825	1,831
Due to subsidiaries	–	9,300
Due to related parties	10	10
Promissory note	40,340	–
Total current liabilities	42,175	11,141
NET CURRENT ASSETS	89,084	56,063
Net assets	89,092	115,669
EQUITY		
Issued capital	8,180	8,180
Reserves (<i>Note</i>)	80,912	107,489
Total equity	89,092	115,669

Approved and authorised for issue by the board of Directors on 26 June 2019.

Wu Jian Nong
Director

Shen Meng Hong
Director

Notes to the Financial Statements (continued)

For the year ended 31 March 2019

45. 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)/ retained profit HK\$'000	Total HK\$'000
At 1 April 2018	75,815	59,591	(17,175)	118,231
Issue of bonus shares	(4,090)	–	–	(4,090)
Loss for the year	–	–	(6,652)	(6,652)
At 31 March 2018 and 1 April 2018	71,725	59,591	(23,827)	107,489
Loss for the year	–	–	(26,577)	(26,577)
Release of other reserve upon disposal of a subsidiary	–	(59,591)	59,591	–
At 31 March 2019	71,725	–	9,187	80,912

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

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 June 2019.

Five Years' Financial Summary

The consolidated results of the Group for the years ended 31 March 2015 to 2019 and the consolidated assets and liabilities of the Group as at 31 March 2015 to 2019 are set out in the audited financial statements.

RESULTS

	Year ended 31 March				
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
REVENUE	691,113	907,651	834,970	406,285	254,689
PROFIT BEFORE TAX	42,546	31,132	42,597	12,093	2,534
Income tax expense	(10,922)	(9,163)	(16,673)	(7,243)	(1,833)
PROFIT FOR THE YEAR	31,624	21,969	25,924	4,850	701
Profit/(Loss) attributable to:					
Owners of the Company	29,640	21,006	25,992	5,078	539
Non-controlling interests	1,984	963	(68)	(228)	162
	31,624	21,969	25,924	4,850	701

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
TOTAL ASSETS	486,553	701,891	623,777	434,763	109,518
TOTAL LIABILITIES	(256,180)	(478,410)	(467,391)	(344,411)	(24,503)
	230,373	223,481	156,386	90,352	85,015
EQUITY:					
Equity attributable to owners of the Company	210,722	197,166	152,077	85,975	80,410
Non-controlling interests	19,651	26,315	4,309	4,377	4,605
	230,373	223,481	156,386	90,352	85,015