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)

ANNUAL REPORT 2020

* For identification purpose only

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Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Wu Jian Nong *(Chairman and Chief Executive Officer)*
Ms. Shen Meng Hong
Mr. Xu Shui Sheng
Mr. Zhou Jian Ming (Resigned on 4 May 2020)

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

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

Head Office and Principal Place of Business in Hong Kong

Room 1302, 13th Floor
Chevalier House
45-51 Chatham Road South
Tsim Sha Tsui, Kowloon
Hong Kong

Principal Share Registrar and Transfer Office

Ocorian 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 2020.

The national policy of photovoltaic power generation in 2019 has actively promoted the construction of grid parity projects and strictly regulated the competition allocation of subsidized projects, which in turn have a great impact on the photovoltaic industry. The Group recorded revenue of approximately HK$284.9 million for the year ended 31 March 2020, representing a decrease of approximately 47% compared with approximately HK$542.3 million of the corresponding period in 2019. The Group recorded profit attributable to owners of the Company of approximately HK$6.3 million, representing a decrease of approximately 73% compared with approximately HK$23.4 million for the year ended 31 March 2019. During the year, the total contracted installed capacity of Group was 412.0357MW.

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. 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, the Group 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, with the great impetus of "the Belt and Road" policy to the application of renewable energy by alongside countries and regions, the Group intends to expand the market share in the international market.

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, 16 July 2020

Management Discussion and Analysis

Management Discussion and Analysis

BUSINESS REVIEW

Renewable Energy Business

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

As of 31 March 2020, Tonking New Energy Technology (Shanghai) Limited*（同景新能源科技（上海）有限公司）has three wholly-owned subsidiaries, namely, Tonking New Energy Technology (Jiangshan) Limited*（同景新能源科技（江山）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 Tong Jing 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）.

During the reporting period, our renewable energy business recorded a total revenue of approximately HK$284,887,000 (2019 corresponding period: HK$542,314,000), 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 412.0357MW.

During the reporting period,

(I) Signing of new contracts

(1) On 24 May 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.*（陽光電源股份有限公司）entered into a procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's 0.0132MW village-level photovoltaic poverty-alleviation project in Taipusi County, Inner Mongolia

(2) On 28 June 2019, Tonking New Energy (Jiangshan) and Zhejiang LONGi Solar Technology Co., Ltd.*（浙江隆基樂葉光伏科技有限公司）entered into a contract in relation to the sale and purchase of the 0.003MW rooftop brackets products

(3) On 16 August 2019, Tonking New Energy (Jiangshan) and Jiangxi Pengze Ganhe Photovoltaic Co., Ltd.*（江西彭澤贛核光伏有限公司）entered into a procurement contract in relation to the 1.742MW engineering steel brackets for the photovoltaic improvement project phase II of nuclear photovoltaic security power plant in Pengze

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

Renewable Energy Business (continued)

(I) Signing of new contracts (continued)

(4) On 20 August 2019, Tonking New Energy (Jiangshan) and SPIC Jiangxi Gong Qingcheng Energy Co., Ltd.*（國家電投集團江西共青城新能源有限公司）entered into a contract in relation to the reinforcement construction of pile foundation of photovoltaic power stations for SPIC Gong Qing jiangyi

(5) On 9 September 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.*（陽光電源股份有限公司）entered into a procurement contract in relation to mounting bracket for Sungrow Power Supply's Guohua Ningdong (Shenhua) 12.1069MW photovoltaic project

(6) On 9 September 2019, Tonking New Energy (Jiangshan) and Jiangshan City Xintangbian Town En'shen Village Stock Economic Cooperative*（江山市新塘邊鎮恩深村股份經濟合作社）entered into a contract in relation to the 380KW photovoltaic poverty alleviation ground power station project in En'shen Village, Xintangbian Town, Jiangshan City

(7) On 9 September 2019, Tonking New Energy (Jiangshan) and Jiangshan City Xintangbian Town Ai'feng Village Stock Economic Cooperative*（江山市新塘邊鎮愛豐村股份經濟合作社）entered into a contract in relation to the newly-built 390KWp photovoltaic poverty alleviation ground power station project in Ai'feng Village, Xintangbian Town, Jiangshan City

(8) On 9 September 2019, Tonking New Energy (Jiangshan) and Jiangshan City Tanshi Town Aotou Village Stock Economic Cooperative*（江山市壇石鎮鰲頭村股份經濟合作社）entered into a non-government procurement contract in relation to the 377KWp photovoltaic poverty alleviation ground power station project in Ruowushan, Aotou Village, Tanshi Town, Jiangshan City

(9) On 9 September 2019, Tonking New Energy (Jiangshan) and Jiangshan City Tangyuankou Township Tangyuan Village Stock Economic Cooperative*（江山市塘源口鄉塘源村股份經濟合作社）entered into a procurement contract in relation to the 97.5KW agricultural power plant project in Tangyuan Village, Tangyuankou Township, Jiangshan City

(10) On 11 September 2019, Tonking New Energy (Shanghai) and China Construction Power and Environment Engineering Co. Ltd.*（中建中環工程有限公司）entered into a supplementary agreement II to the procurement contract in relation to the 1.2555MW's flat uniaxial tracking mounting brackets of agricultural photovoltaic power plant project in Yushan, Xiangyang City, Hubei Province

(11) On 12 September 2019, Tonking New Energy (Jiangshan) and Ningxia Baofeng Energy Group Co. Ltd*（寧夏寶豐能源集團股份有限公司）entered into a purchase and sale and installation contract in relation to the 90MW's flat uniaxial tracking mounting brackets with inclination of the market-oriented trading pilot of Ningdong distributed power generation of Baofeng energy

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

Renewable Energy Business (continued)

(I) Signing of new contracts (continued)

(12) On 15 October 2019, 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 procurement contract in relation to the added 175.5KWp photovoltaic poverty-alleviation ground-mounted power station project in Maocun Shantou Village, Xintangbian Town, Jiangshan City

(13) On 17 October 2019, Tonking New Energy (Jiangshan) and Guangxi Yuchai Nongguang Electric Power Co., Ltd.*（廣西玉柴農光電力有限公司）entered into a procurement contract in relation to the flat uniaxial tracking mounting bracket systems for A zone project and B zone project of Yuchai Guiping agricultural photovoltaic power generation project phase III

(14) On 22 October 2019, Tongjing New Energy (Jiangshan) and Qinghai Huangdian Gonghe Photovoltaic Power Generation Co., Ltd. *（青海黃電共和光伏發電有限公司）entered into a sales contract in relation to the flat uniaxial brackets for the 1000MW photovoltaic power station project on Beach Tala, Hainan Prefecture (Bid Section 1) of the power configuration project in the ultra-high-voltage power delivery base in Hainan Prefecture, Qinghai Province

(15) On 24 October 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.*（陽光電源股份有限公司）entered into a procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's Guohua Ningdong (Shenhua) 4.4MW photovoltaic project

(16) On 26 November 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.*（陽光電源股份有限公司）entered into a procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's photovoltaic project in Xiangyang Village

(17) On 26 November 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.*（陽光電源股份有限公司）entered into a procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's photovoltaic project in Wulong Village

(18) On 26 November 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.*（陽光電源股份有限公司）entered into a procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's photovoltaic project in Hongshan Village

(19) On 13 December 2019, Tonking New Energy (Shanghai) and CPI Power Engineering Co., Ltd.*（中電投電力工程有限公司）entered into a contract in relation to the 100MV project of the leading reward incentive base for photovoltaic power generation in Dalate (contract of the bid section for flat uniaxial brackets)

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

Renewable Energy Business (continued)

(I) Signing of new contracts (continued)

(20) On 13 December 2019, Tonking New Energy (Shanghai) and CPI Power Engineering Co., Ltd.*（中電投電力工程有限公司）entered into a contract in relation to the 100MV project of the leading reward incentive base for photovoltaic power generation in Dalate (contract of Bid Section A for manually adjustable bracket devices)

(21) On 14 December 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.*（陽光電源股份有限公司）entered into a supplementary contract of the procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's photovoltaic project in Xiangyang Village

(22) On 14 December 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.*（陽光電源股份有限公司）entered into a supplementary contract of the procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's photovoltaic project in Wulong Village

(23) On 7 January 2020, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.*（陽光電源股份有限公司）entered into a procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's photovoltaic project in Tongcheng

Based on the accumulated advantages of providing one-stop solutions (EPC, maintenance support and operation) for photovoltaic power plants, combined with big data analysis technology, AI control technology, wireless communication technology, the Group is committed to building a digital and intelligent photovoltaic tracking control platform. It can achieve the purposes of reducing costs and increasing power generation, while achieving intelligent and unmanned management of photovoltaic power plants, so as to improve the competitiveness of the Company's products.

The Group is committed to promoting the healthy development of the industry, with the development direction of improving product performance, reducing the cost of electricity, and advancing grid parity. With the rapid development of the industry and the advent of the era of parity, the photovoltaic field has entered a stage of development that emphasizes safety and stability. At the same time, as land resources are increasingly scarce, the efficient use of land resources has also become the development direction of the industry.

Management Discussion and Analysis (continued)

BUSINESS REVIEW (continued)

Renewable Energy Business (continued)

(I) Signing of new contracts (continued)

In order to stabilize the Group's market share of bracket products and maintain the competitiveness of the products in the market, the Group's strengths are concentrated to comprehensively upgrade the technology of the existing bracket products. Taking safety and stability as the breakthrough point, a multi-point linkage bracket system was developed. Based on the original technology, the system upgrades the core transmission system, adopts a torsion transmission system that can adapt to the complex environment and terrain to replace the original push rod transmission system; and modularly designs the entire bracket system, so that each module is designed with a stable self-locking mechanism, which further upgrades the safety performance of the bracket products.

In order to improve the utilization rate of land resources, the Group combed and integrated various technical points of the bracket system through various technical means such as wind tunnel testing, software simulation, theoretical calculation, analyzed various bracket forms in the industry, and finally developed a herringbone bracket system with high land utilization after an in-depth analysis and comparison of the original demand. This bracket product breaks the inherent design thinking and takes advantage of the structure, which not only greatly reduces the impact of external loads on the bracket, but also can be comprehensively designed according to the geography, climate and other factors of the project, so as to best meet the needs of the project.

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 new energy industry.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

Revenue

For the financial year ended 31 March 2020, the Group recorded revenue of approximately HK$284,887,000, representing a decrease of approximately 47% compared with approximately HK$542,314,000 of the corresponding period in 2019.

Contract costs

The contract costs for the year ended 31 March 2020 was approximately HK$245,191,000 (2019: approximately HK$468,504,000). 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 decreased by approximately 32% to approximately HK$13,611,000 for the year ended 31 March 2020 (2019: approximately HK$20,156,000).

Depreciation and amortisation

Depreciation and amortisation increased by approximately 15% to approximately HK$4,836,000 for the year ended 31 March 2020 (2019: approximately HK$4,198,000).

Property rentals and related expenses

The property rentals and related expenses for the year ended 31 March 2020 amounted to approximately HK$87,000 (2019: approximately HK$1,361,000), representing a decrease of approximately 94% as compared to the corresponding period in 2019.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately 16% to approximately HK$17,349,000 for the year ended 31 March 2020 from approximately HK$14,985,000 for the corresponding period in 2019. The increase was mainly due to the written off of contract assets during the year.

Net profit

For the year ended 31 March 2020, the Group recorded profit attributable to owners of the Company of approximately HK$6,329,000 (for the year ended 31 March 2019: approximately HK$23,424,000).

FUTURE PROSPECTS

1. 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.

2. 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.

Management Discussion and Analysis (continued)

FUTURE PROSPECTS (continued)

3. 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(國能發新能[2019] 37號) 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.

4. 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.

5. 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(國能發新能[2019] 49號) 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.

6. The Notice of the National Energy Administration on the Issues Related to the Construction of Wind Power and Photovoltaic Power Generation Projects in 2020 (《國家能源局關於2020年風電、光伏發電項目建設有關事項的通知》)

On 23 January 2020, the Notice of the National Energy Administration on the Issues Related to the Construction of Wind Power and Photovoltaic Power Generation Projects in 2020 (consultative draft) (《國家能源局關於2020年風電、光伏發電項目建設有關事項的通知》(徵求意見稿)) specifies the total budget amount for subsidizing new photovoltaic power generation projects in 2020 shall be RMB1.5 billion. Among which, RMB500 million will be used for civilian photovoltaic projects, while bidding projects, including centralized photovoltaic power stations and commercial distributed photovoltaic projects, will be constructed based on total subsidy amounting to RMB1 billion.

Management Discussion and Analysis (continued)

FUTURE PROSPECTS (continued)

7. The Notice on the Issues Related to the Construction of Photovoltaic Power Generation Projects in 2020 (《2020年光伏發電項目建設有關事項的通知》)

On 10 March 2020, the National Energy Administration officially announced the Notice on the Issues Related to the Construction of Photovoltaic Power Generation Projects in 2020(《2020年光伏發電項目建設有關事項的通知》). According to the Notice, the construction of the subsidized bidding projects (including centralized photovoltaic power plant and industrial and commercial distributed photovoltaic projects) will be performed according to the total subsidies of RMB1 billion. The overall idea, project management, and competitive allocation methods of competitive allocation work are still implemented according to the competitive allocation work plan of the 2019 photovoltaic power generation projects.

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.

As the national policy of photovoltaic power generation in 2019 aims to actively promote the construction of grid parity projects and strictly regulate the competition allocation of subsidized projects, the management of the Company believes that the new policy will have a great impact on the photovoltaic industry. The Company will make a proactive response to adapt to the development of the new situation.

Management Discussion and Analysis (continued)

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 31 March 2020, the total number of issued shares of the Company is 818,000,000.

As at 31 March 2020, the share capital and equity attributable to owners of the Company amounted to HK$8,180,000 and approximately HK$201,637,000 respectively (2019: HK$8,180,000 and approximately HK$210,722,000 respectively).

Cash position

As at 31 March 2020, the cash and cash equivalents of the Group amounted to approximately HK$118,214,000 (2019: approximately HK$78,659,000), representing an increase of approximately 50% as compared to that as at 31 March 2019.

Bank borrowings

During the year, the Group has borrowed short-term bank loans amounted to approximately HK$62,110,000 which bear effective interest rates from 5.92% to 6.09% per annum.

Gearing ratio

As at 31 March 2020, the gearing ratio of the Group was approximately 25% (2019: approximately 40%). 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 and tax payable.

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)

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (continued)

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

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 2020.

Contingent Liabilities

As at 31 March 2020, the Group had no material contingent liabilities (2019: nil).

Capital Commitment

As at 31 March 2020, the Group had capital commitments of nil (2019: approximately HK$13,000).

Employees and Emolument Policies

The Group had 93 employees (including Directors) as at 31 March 2020 (2019: 176 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 contract assets, 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 2020 will be published on the respective websites of the Stock Exchange and the Company on or before 30 September 2020.

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 2020, 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 2020, 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.

KEY PERFORMANCE INDICATORS

The key financial performance indicators of the Group for the year ended 31 March 2020 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 58
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 44
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 55
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）.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wang Xiaoxiong（王肖雄）, aged 60
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 54
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 52
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*（杭州聯信税務師事務所）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 2020 (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 19 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").

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 2020 (2019: nil).

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting ("AGM") of the Company will be held on 26 August 2020 (Wednesday), 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 21 August 2020 (Friday) to 26 August 2020 (Wednesday), 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 20 August 2020 (Thursday).

Directors' Report (continued)

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2020, 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 2020 is set out in the section headed "Five Years' Financial Summary" in page 132 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 132. 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 33 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 2020.

TRANSFER TO RESERVES

Profit attributable to equity shareholders, before dividends, of approximately HK$6,329,000 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.

Directors' Report (continued)

DISTRIBUTABLE RESERVES

As at 31 March 2020, 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$74,136,000.

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 transaction:

On 31 October 2019 (after trading hours), Tonking New Energy Technology (Jiangshan) Limited ("Tonking Jiangshan"), an indirectly wholly-owned subsidiary of the Company, and Zhejiang Xingcai Agricultural Technology Co., Ltd. ("Zhejiang Xingcai") entered into the Freeze Drying Equipment Sales Agreement, pursuant to which, Tonking Jiangshan has agreed to sell and Zhejiang Xingcai has agreed to acquire the Freeze Drying Equipment and provide relevant services.

The consideration of RMB2,970,000 (equivalent to approximately HK$3,296,700) was determined after arm's length negotiations between the parties of the Freeze Drying Equipment Sales Agreement with reference to market prices of the Freeze Drying Equipment and relevant services. The consideration was not less than that offered by other independent third-party suppliers.

The Directors (including the independent non-executive Directors) consider that the terms of the Freeze Drying Equipment Sales Agreement and the transactions contemplated thereunder are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Details of the transactions contemplated under the Freeze Drying Equipment Sales Agreement were set out in the announcement of the Company dated 31 October 2019.

As at the date of such announcement, Zhejiang Xingcai is indirectly owned as to 97% and 3% by Mr. Wu Jian Nong ("Mr. Wu") and Mr. Xu Shui Sheng ("Mr. Xu") respectively. Zhejiang Xingcai is an associate of Mr. Wu. Mr. Wu is an executive Director, the chairman of the Board and the chief executive officer of the Company. Therefore, Zhejiang Xingcai is a connected person of the Company. Under Chapter 20 of the GEM Listing Rules, the transactions under the Freeze Drying Equipment Sales Agreement will constitute a connected transaction of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 83% of the total sales for the Year and sales to the largest customer included therein amounted to approximately 38% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for approximately 59% of the total purchases for the Year and purchase from the Group's largest supplier included therein amounted to approximately 25% 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 2020 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 (Resigned on 4 May 2020)

Independent Non-Executive Directors
Ms. Wang Xiaoxiong
Mr. Zhou Yuan
Mr. Yuan Jiangang

Ms. Shen Meng Hong and Mr. Yuan Jiangang will retire at the AGM and, all being eligible, will offer themselves for re-election at the said meeting.

DIRECTORS' SERVICE CONTRACTS

Ms. Shen Meng Hong, being an executive Director, has entered into a service contract with the Company for a term of three years commencing on 3 August 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.

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 2020 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 2020 and may be terminated by either party by giving at least one month's written notice.

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

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of Directors' and other senior management are disclosed in the section headed "Biographies of Directors and Senior Management" on pages 20 to 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 2020 or at any time during the year ended 31 March 2020; (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 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 and Ms. Shen Meng Hong during the year ended 31 March 2020 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 2020 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 2020, 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 held 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 2020, 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.

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 2020 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:

1. 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.

2. 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 2020, 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.

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 (2019: 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 2020, 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.

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, 16 July 2020

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 2020, 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, Ms. Shen Meng Hong and Mr. Yuan Jiangang will retire from office as Directors at the forthcoming AGM, and being eligible, offer themselves for re-election.

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.

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 2020 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 2020 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 2020.

Corporate Governance Report (continued)

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 March 2020 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 (Resigned on 4 May 2020)

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 2020. 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 2020 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	7/7	N/A	N/A	N/A	N/A	1/1
Ms. Shen Meng Hong	7/7	N/A	N/A	1/1	1/1	1/1
Mr. Xu Shui Sheng	7/7	N/A	N/A	N/A	N/A	1/1
Mr. Zhou Jian Ming (Note 1)	7/7	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Ms. Wang Xiaoxiong	7/7	5/5	1/1	1/1	1/1	1/1
Mr. Zhou Yuan	7/7	5/5	1/1	1/1	1/1	1/1
Mr. Yuan Jiangang	6/7	5/5	1/1	N/A	N/A	1/1

Note:

1. Mr. Zhou Jian Ming resigned as an executive Director on 4 May 2020.

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

During the year ended 31 March 2020, the Audit Committee had reviewed the final results of the Group for the year ended 31 March 2019, the first quarterly results of the Group for the three months ended 30 June 2019, the interim results of the Group for the six months ended 30 September 2019 and the third quarterly results of the Group for the nine months ended 31 December 2019. The Audit Committee had reviewed the Group's internal controls for the year ended 31 March 2020. The Group's final results for the year ended 31 March 2020 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 2020. 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.

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 2020. 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 2020.

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 2020. 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 2020. Details of the attendance of the Compliance Committee meeting are set out above.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

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

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

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 2020, senior management of the Company comprises four individuals.

The senior management's remuneration payment of the Company during the year ended 31 March 2020 falls within the following bands:

	Number of individual
HK$1,000,000 or below	4

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 2020. 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 2020, the fee payable to HLB Hodgson Impey Cheng Limited in respect of its statutory audit services provided to the Company was HK$750,000.

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.

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 – BT Corporate Governance Limited ("BTCGL") 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 BTCGL.

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 oversights 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 department and independent internal audit outsourced to and conducted by BTCGL. 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:	Room 1302, 13th Floor, Chevalier House, 45-51 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong
Tel:	(852) 2505-5566
Fax:	(852) 2976-9699
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 2020.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The principal place of business in Hong Kong of the Company has been changed to Room 1302, 13th Floor, Chevalier House, 45-51 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong with effect from 16 July 2020.

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 131, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTER

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

Independent Auditors' Report (continued)

KEY AUDIT MATTER (continued)

Accounting for construction contract revenue, costs and contract assets

We identified the revenue and costs recognition of contracting service and contract assets 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.

Relevant disclosures are included in Notes 3, 5, 8 and 21 to the consolidated financial statements.

Our audit procedures in relation to construction revenue and cost recognised and contract assets 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 or completed works confirmed by internal surveyors 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, 16 July 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	284,887	542,314
Other income	6	13,616	7,096
Contract costs	8	(245,191)	(468,504)
Staff costs		(13,611)	(20,156)
Depreciation and amortisation		(4,836)	(4,198)
Property rental and related expenses		(87)	(1,361)
Fuel and utility expenses		(29)	(10)
Administrative and other operating expenses		(17,349)	(14,985)
Finance costs	7	(6,005)	(5,075)
PROFIT BEFORE TAX	8	11,395	35,121
Income tax expense	11	(3,305)	(9,813)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		8,090	25,308
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	12	–	6,316
PROFIT FOR THE YEAR		8,090	31,624
Attributable to:			
Owners of the Company			
– From continuing operations		6,329	23,424
– From discontinued operation		–	6,216
		6,329	29,640
Non-controlling interests			
– From continuing operations		1,761	1,884
– From discontinued operation		–	100
		1,761	1,984
		8,090	31,624
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	14		
– From continuing operations		0.77	2.86
– From discontinued operation		–	0.76
		0.77	3.62

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
PROFIT FOR THE YEAR	**8,090**	31,624
OTHER COMPREHENSIVE EXPENSE		
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(16,676)**	(16,392)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX	**(16,676)**	(16,392)
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR	**(8,586)**	15,232
Attributable to:		
Owners of the Company	**(9,085)**	14,728
Non-controlling interest	**499**	504
	(8,586)	15,232

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 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	38,085	43,550
Right-of-use assets	16	467	–
Intangible assets	17	6,084	7,696
Lease prepayments	18	–	134
Non-current prepayments	23	410	1,167
Total non-current assets		45,046	52,547
CURRENT ASSETS			
Inventories	20	7,186	30,307
Contract assets	21	102,255	96,393
Trade and bills receivables	22	118,167	198,504
Prepayments, deposits and other receivables	23	25,284	26,970
Other financial assets	24	1,093	3,031
Due from related parties	25	1,305	139
Lease prepayments	18	–	3
Cash and cash equivalents	26	118,214	78,659
Total current assets		373,504	434,006
CURRENT LIABILITIES			
Contract liabilities	21	163	12,357
Trade and bills payables	27	67,461	79,972
Other payables and accruals	28	54,807	9,195
Due to related parties	25	11,010	11,011
Promissory note	29	–	40,340
Bank borrowings	30	62,110	103,171
Lease liabilities	31	345	–
Tax payable		867	134
Total current liabilities		196,763	256,180
NET CURRENT ASSETS		176,741	177,826
TOTAL ASSETS LESS CURRENT LIABILITIES		221,787	230,373
Net assets		221,787	230,373

Consolidated Statement of Financial Position (continued)

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	33	**8,180**	8,180
Reserves	35	**193,457**	202,542
		201,637	210,722
Non-controlling interests		**20,150**	19,651
Total equity		**221,787**	230,373

Approved and authorised for issue by the Board of Directors on 16 July 2020.

Wu Jian Nong
Director

Shen Meng Hong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Attributable to owners of the Company								
	Issued capital HK$'000 (Note 33)	Share premium HK$'000 (Note 35)	Other reserves HK$'000 (Note 35)	Statutory reserves HK$'000 (Note 35)	Exchange fluctuation reserves HK$'000 (Note 35)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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 and 1 April 2019	8,180	71,725	–	8,518	(2,028)	124,327	210,722	19,651	230,373
Profit for the year	–	–	–	–	–	6,329	6,329	1,761	8,090
Other comprehensive expense for the year	–	–	–	–	(15,414)	–	(15,414)	(1,262)	(16,676)
Total comprehensive expense for the year	–	–	–	–	(15,414)	6,329	(9,085)	499	(8,586)
Transfer to statutory reserves	–	–	–	1,396	–	(1,396)	–	–	–
At 31 March 2020	8,180	71,725	–	9,914	(17,442)	129,260	201,637	20,150	221,787

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax including discontinued operation		
– continuing operations	11,395	35,121
– discontinued operations	–	7,425
Adjustments for:		
Amortisation of intangible assets	1,165	1,576
Depreciation	3,671	10,676
Loss on disposal of items of property, plant and equipment	116	523
Loss on disposal of intangible assets	–	26
Interest income	(580)	(567)
Finance costs	6,005	5,761
Net impairment losses/(reversal of impairment losses) on financial and contract assets	1,176	(599)
Written off of contract assets	3,692	–
Gain on disposal of a subsidiary	–	(9,083)
Reversal of provision for reinstatement costs	–	(278)
	26,640	50,581
Decrease in inventories	21,794	5,818
Increase in contract assets	(16,507)	(11,585)
Decrease in trade and bills receivables	69,323	148,711
Decrease in prepayments, deposits and other receivables	717	23,934
Increase in due from related parties	(1,205)	(24,670)
Decrease/(increase) in other financial assets	1,795	(3,010)
(Decrease)/increase in other contract liabilities	(11,726)	4,357
Decrease in trade and bills payables	(7,749)	(66,755)
Increase/(decrease) in other payables and accruals	4,410	(25,931)
Decrease in due to related parties	(1)	(94,283)
Cash generated from operations	87,491	7,167
Interest paid	(4,529)	(4,321)
Income tax paid	(2,544)	(8,976)
Net cash flows generated from/(used in) operating activities	80,418	(6,130)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		580	567
Purchases of items of property, plant and equipment		(289)	(6,686)
Proceeds from sales of property, plant and equipment		–	5,460
Payment for intangible assets		–	(207)
Net cash flows from disposal of a subsidiary		–	(455)
Net cash flows generated from/(used in) investing activities		291	(1,321)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		63,727	35,013
Repayment of bank borrowings		(99,293)	–
Principal portion of lease payments		(642)	–
Interest paid on lease liabilities		(32)	–
Dividend paid to non-controlling interest		–	(3,218)
Net cash flows (used in)/generated from financing activities		(36,240)	31,795
NET INCREASE IN CASH AND CASH EQUIVALENTS		44,469	24,344
Effect of foreign exchange rate changes, net		(4,914)	(15,516)
Cash and cash equivalents at beginning of year		78,659	69,831
CASH AND CASH EQUIVALENTS AT END OF YEAR		118,214	78,659
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	118,214	78,659

Notes to the Financial Statements

For the year ended 31 March 2020

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 Room 1302, 13th Floor, Chevalier House, 45-51 Chatham Road South, Tsim Sha Tsui, Kowloon, 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"). It was also engaged in the operation and management of restaurants and cake shops in Hong Kong which was classified as a discontinued operation in prior year.

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:

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

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)

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.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

New definition of a lease

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

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)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of premises, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and separately disclosed in the consolidated statement of financial position. The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 April 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

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

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

- Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before 1 April 2019 as an alternative to performing an impairment review

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

- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

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)

As a lessee – Leases previously classified as operating leases (continued)

Impact on transition (continued)

Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 at 1 April 2019 was as follows:

	Increase/(decrease)
	HK$'000
Assets	
Increase in right-of-use assets	665
Decrease in lease prepayments	(137)
Increase in total assets	528
Liabilities	
Increase in lease liabilities	528
Increase in total liabilities	528

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

	HK$'000
Operating lease commitments as at 31 March 2019	197
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 March 2020	(197)
Add: Contracts reassessed as lease contracts	543
	543
Weighted average incremental borrowing rate as at 1 April 2019	4.7%
Discounted operating lease commitments as at 1 April 2019	528
Lease liabilities as at 1 April 2019	528

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

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

New and amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]
Amendments to HKFRS 16	*COVID-19 Related Rent Concession*[4]

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

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

4 Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that the application of all new and amendments to HKFRSs and Interpretations will have no material impact on the consolidation financial statements in the foreseeable future.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

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 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 above. 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.

Fair value measurement

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets 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 expense 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

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

An item of property, plant and equipment 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

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

Franchise cost

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

Research and development 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 April 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Premises	1 to 2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 April 2019) (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable before 1 April 2019)

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as 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" 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured 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.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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.

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 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 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (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.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

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, amounts due to related parties and lease liabilities.

Subsequent measurement

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

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and 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

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

Deferred tax assets and deferred tax liabilities are offset if 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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (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 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract assets

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 assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Retirement benefit schemes (continued)

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 contributes 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 2020

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.

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 capitalised development costs at the end of each reporting period and no impairment charge was recognised during the year ended 31 March 2020.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

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 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.

After the restaurant operations segment was disposed of during 2019, the Group's revenue and consolidated results were mainly derived from renewable energy business, which was regarded as a single operating segment in a manner consistent with the way in which information was reported internally to the Group's senior manager for purpose of resource arrangement and performance assessment. All revenue of the continuing operations of the Group is derived from customers operating in the PRC and over 90% of the Group's non-current assets are situated in the PRC. Accordingly, no segment information for the year ended 31 March 2020 is presented.

For the year ended 31 March 2019, management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance costs as well as head office and corporate expenses are excluded from such measurement.

As at 31 March 2019, segment assets exclude unallocated corporate assets as they are assets managed on a group basis.

As at 31 March 2019, segment liabilities exclude promissory note and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

5. SEGMENT INFORMATION AND REVENUE (continued)

	Continuing operations	Discontinued operation	
Year ended 31 March 2019	Renewable energy business HK$'000	Restaurant operations HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	542,314	148,799	691,113
Segment result	48,264	8,110	56,374
Reconciliation:			
Finance costs			(5,761)
Corporate and other unallocated expenses			(8,067)
Profit before tax			42,546
Segment assets	465,923	–	465,923
Reconciliation:			
Corporate and other unallocated assets			20,630
Total assets			486,553
Segment liabilities	203,003	–	203,003
Reconciliation:			
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 2020

5. SEGMENT INFORMATION AND REVENUE (continued)

Geographic Information

(a) Revenue from external customers

	2019 HK$'000
Hong Kong	148,799
Mainland China	542,314
	691,113

(b) Non-current assets

	2019 HK$'000
Hong Kong	72
Mainland China	51,308
	51,380

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

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2020 HK$'000	2019 HK$'000
Customer A[1]	32,768	73,737
Customer B[1]	107,201	N/A[2]
Customer C[1]	39,799	N/A[2]
Customer D[1]	42,822	N/A[2]
Customer E[1]	N/A[2]	132,402
Customer F[1]	N/A[2]	83,196

[1] Revenue from renewable energy business segment

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

5. SEGMENT INFORMATION AND REVENUE (continued)

An analysis of revenue is as follows:

	2020 HK$'000	2019 HK$'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	284,887	542,314
	284,887	691,113

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020 HK$'000	2019 HK$'000
Timing of revenue recognition		
At a point in time	–	148,799
Over time	284,887	542,314
	284,887	691,113

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 HK$'000	2019 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Provision of one-stop value added solution and sales of the patented photovoltaic tracking mounting bracket systems	12,188	–

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

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 Group provides one-stop value added solution and sells the patented photovoltaic tracking mounting bracket systems to customers. Such services are recognised as performance obligations satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. The Group measures progress using an output method. Specifically, progress is based on surveys of the relevant services completed by the Group with reference to certificates issued by customers or completed works confirmed by internal surveyors. Usually the Group requires customers to provide upfront deposits based on a certain percentage of total contract sums and milestone payments depending on the total contract size. Payment is generally due within 30 to 90 days from the date of billing.

6. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Continuing operations		
Interest income	**580**	566
Sales of electricity income	**5,395**	6,292
Net realised and unrealised gains on other financial assets	**1,039**	96
Government grants and subsidy	**6,496**	–
Others	**106**	142
	13,616	7,096
Discontinued operation		
Interest income		1
Others		157
		158

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

7. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Continuing operations		
Interest expense on promissory note	1,444	754
Interest expense on bank borrowings	4,529	4,321
Interest expense on lease liabilities	32	–
	6,005	5,075
Discontinued operation		
Interest expense on promissory note		686
		686

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

8. PROFIT BEFORE TAX

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

	2020 HK$'000	2019 HK$'000
Continuing operations		
Amortisation of intangible assets	1,165	1,387
Auditors' remuneration	750	1,600
Depreciation of property, plant and equipment	3,018	2,811
Depreciation of right-of-use assets	653	–
Property rental and related expenses:		
Lease payments under operating lease in respect of land and buildings		
– Minimum lease payments	–	1,361
Leases with remaining lease terms ended on or before 31 March 2020		
– Premises	87	–
Contract costs:		
Cost of construction materials and supplies	204,652	387,769
Subcontracting charges	8,024	39,607
Labour cost	26,119	27,332
Transportation	1,057	4,708
Short-term leases		
– Machinery, motor vehicles and other equipment	2,379	4,348
Other expenses	2,960	4,740
	245,191	468,504
Employee benefits expenses (excluding directors' and chief executive's remuneration):		
Salaries, wages and other benefits	9,462	13,483
Retirement benefit scheme contributions	705	2,116
	10,167	15,599
Net impairment losses/(reversal of impairment losses) on financial and contract assets	1,176	(592)
Written off of contract assets	3,692	–
Loss on disposal of items of property, plant and equipment	116	123
Foreign exchange differences, net	(23)	(26)

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

8. PROFIT BEFORE TAX (continued)

	2019 HK$'000
Discontinued operation	
Cost of food and beverage	42,492
Amortisation of intangible assets	189
Depreciation	7,865
Lease payments under operating lease in respect of land and buildings:	
Minimum lease payments	33,408
Contingent rents	162
	33,570
Employee benefits expenses (excluding directors' and chief executive's remuneration):	
Salaries, wages and other benefits	45,477
Retirement benefit scheme contributions	1,867
	47,344
Net reversal of impairment losses on financial assets	(7)
Reversal of provision for reinstatement costs	(278)
Loss on disposal of items of property, plant and equipment	400
Loss on disposal of intangible assets	26

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2020 HK$'000	2019 HK$'000
Fees	1,704	2,652
Other emoluments:		
Salaries, allowances and benefits in kind	1,553	1,726
Retirement benefit scheme contributions	187	179
	3,444	4,557

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

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

(a) Independent non-executive directors

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

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 March 2020					
Mr. Zhou Yuan	**100**	**–**	**–**	**–**	**100**
Mr. Wang Xiaoxiong	**100**	**–**	**–**	**–**	**100**
Mr. Yuan Jiangang	**100**	**–**	**–**	**–**	**100**
	300	**–**	**–**	**–**	**300**
Year ended 31 March 2019					
Mr. Zhou Yuan	100	–	–	–	100
Mr. Wang Xiaoxiong	100	–	–	–	100
Mr. Yuan Jiangang	100	–	–	–	100
	300	–	–	–	300

There were no other emoluments payable to the independent non-executive directors during the year (2019: nil).

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

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 2020					
Mr. Wu Jian Nong					
(Chief Executive Officer)	438	374	–	103	915
Ms. Shen Meng Hong	322	393	–	28	743
Mr. Xu Shui Sheng	322	393	–	28	743
Mr. Zhou Jian Ming					
(Resigned on 4 May 2020)	322	393	–	28	743
	1,404	1,553	–	187	3,144
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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: nil).

During the years ended 31 March 2020 and 2019, 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 2020

10. FIVE HIGHEST PAID EMPLOYEES

Four (2019: Four) of the five highest paid employees were directors of the Company for the year ended 31 March 2020.

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:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and benefits in kind	335	308
Discretionary bonuses	28	27
Retirement benefit scheme contributions	15	16
	378	351

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	
	2020	2019
Nil to HK$1,000,000	1	1

During the years ended 31 March 2020 and 2019, 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 2020

11. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong. Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at a rate of 16.5% for the year ended 31 March 2019. Enterprise income tax is provided on the estimated taxable profits of the subsidiaries established in the PRC at a rate of 25% (2019: 25%) during the year.

	2020 HK$'000	2019 HK$'000
Continuing operations		
Current tax – PRC		
Charge for the year	3,305	9,813
Discontinued operation		
Current tax – Hong Kong		
Charge for the year	–	1,109
	3,305	10,922

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:

	2020 HK$'000	2019 HK$'000
Profit before tax	11,395	42,546
Tax at Hong Kong profits tax rate at 16.5%	1,880	7,020
Tax effect of different tax rate of subsidiaries operating in the PRC	1,546	3,234
Tax effect of expenses not deductible for tax purpose	1,056	5,543
Tax effect of temporary differences not recognised	–	(3,734)
Tax concession granted by local authority	(1,177)	(84)
Tax effect of tax losses not recognised	–	1,387
Utilisation of tax losses previously not recognised	–	(2,444)
Income tax expense for the year	3,305	10,922

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

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.

	Notes	2019 HK$'000
Revenue	5	148,799
Other income	6	158
Cost of food and beverage		(42,492)
Staff costs		(47,344)
Depreciation and amortisation		(8,054)
Property rentals and related expenses		(33,570)
Fuel and utility expenses		(3,068)
Administrative and other operating expenses		(15,401)
Finance costs	7	(686)
Loss before tax	8	(1,658)
Income tax expense	11	(1,109)
		(2,767)
Gain on disposal of a subsidiary		9,083
Profit for the year from discontinued operation		6,316

13. DIVIDENDS

During the year ended 31 March 2020, no dividends have been paid or declared by the Company (2019: nil).

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

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

	2020 HK$'000	2019 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share		
– Continuing operations	6,329	23,424
– Discontinued operation	–	6,216
	6,329	29,640

	2020 '000	2019 '000
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 years ended 31 March 2020 and 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 years ended 31 March 2020 and 2019.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2020 and 2019.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

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 2020							
At 31 March 2019 and 1 April 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
At 1 April 2019, net of accumulated depreciation and impairment	–	1,887	499	510	40,654	–	43,550
Additions	–	278	11	–	–	–	289
Disposal during the year	–	(103)	(11)	(2)	–	–	(116)
Exchange realignment	–	(107)	(28)	(23)	(2,462)	–	(2,620)
Depreciation provided during the year	–	(432)	(137)	(316)	(2,133)	–	(3,018)
At 31 March 2020, net of accumulated depreciation and impairment	–	1,523	334	169	36,059	–	38,085
At 31 March 2020:							
Cost	–	2,796	953	1,482	43,593	–	48,824
Accumulated depreciation and impairment	–	(1,273)	(619)	(1,313)	(7,534)	–	(10,739)
Net carrying amount	–	1,523	334	169	36,059	–	38,085
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	16,703	4,516	7,714	1,165	50,396	449	80,943
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

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of premises, machinery, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of premises generally have lease terms between 1 to 2 years. Machinery, motor vehicles and other equipment generally has lease terms of 12 months or less and/or is individually of low value.

a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land HK$'000	**Premises** HK$'000	**Total** HK$'000
As at 1 April 2019	137	528	665
Additions	–	471	471
Exchange realignment	(9)	(7)	(16)
Depreciation charge	(3)	(650)	(653)
As at 31 March 2020	125	342	467

b) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 **HK$'000**
Interest on lease liabilities	32
Depreciation charge of right-of-use assets	653
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 March 2020	2,466
Total amount recognised in profit or loss	3,151

c) The total cash outflow for leases is disclosed in note 38 to the financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

17. INTANGIBLE ASSETS

	Development cost HK$'000	Franchise HK$'000	Computer software HK$'000	Total HK$'000
31 March 2020				
At 31 March 2019 and 1 April 2019:				
Cost	8,248	–	1,407	9,655
Accumulated amortisation	(1,100)	–	(859)	(1,959)
Net carrying amount	7,148	–	548	7,696
At 1 April 2019, net of accumulated amortisation	7,148	–	548	7,696
Amortisation provided during the year	(823)	–	(342)	(1,165)
Exchange realignment	(330)	–	(117)	(447)
At 31 March 2020, net of accumulated amortisation	5,995	–	89	6,084
At 31 March 2020:				
Cost	7,877	–	1,180	9,057
Accumulated amortisation	(1,882)	–	(1,091)	(2,973)
Net carrying amount	5,995	–	89	6,084
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	8,536	1,341	968	10,845
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 realignment	(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

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Development cost	5 to 10 years
Franchise	4 to 8 years
Computer software	2 years

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

18. LEASE PREPAYMENTS

The Group's lease prepayments comprise:

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

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.

19. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ establishment and operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2020	2019	Principal activities
Elite Sheen Holdings Limited	BVI	US$1,000	100% (direct)	100% (direct)	Investment holding
Tonking New Energy Group Co., Limited	Hong Kong	HK$1	100% (indirect)	100% (indirect)	Investment holding
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

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

19. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ establishment and operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company 2020	2019	Principal activities
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
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)	–[3]	100% (indirect)	Not yet commence business

1 wholly-owned foreign enterprise

2 private limited liability company

3 deregistered during the year

* english translation for identification purpose only

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

20. INVENTORIES

	2020 HK$'000	2019 HK$'000
Materials for construction contracts	7,186	30,307

21. CONTRACT ASSETS/LIABILITIES

Contract assets

	2020 HK$'000	2019 HK$'000
Contract assets arising from construction service	102,936	96,426
Less: loss allowance	(681)	(33)
	102,255	96,393

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$62,185,000 as at 31 March 2020 (2019: HK$84,980,000), after recognition of loss allowance of approximately HK$198,000 (2019: HK$30,000), the carrying amount of retention receivables was approximately HK$61,987,000 (2019: HK$84,950,000).

The expected timing of recovery or settlement for contract assets is as follows:

	2020 HK$'000	2019 HK$'000
Within one year	72,135	46,199
More than one year	30,801	50,227
	102,936	96,426

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

21. CONTRACT ASSETS/LIABILITIES (continued)

Contract assets (continued)

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

	2020 HK$'000	2019 HK$'000
At beginning of year	33	320
Net impairment loss/(reversal of impairment loss)	668	(287)
Exchange realignment	(20)	–
At end of year	681	33

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses of each individual debtor. 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 2020, the probability of default applied ranged from 0.03% to 53% (2019: 0.045% to 53%) and the loss given default rate was estimated to be 24% (2019: 24%).

For the year ended 31 March 2020, a contract asset of approximately HK$3,692,000 (2019: nil) is written off because there was no reasonable expectation of recovering the contractual cash flows.

Contract liabilities

	2020 HK$'000	2019 HK$'000
Advances received from customers		
Construction services	163	12,357

22. TRADE AND BILLS RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	101,494	145,956
Bills receivables	17,574	53,011
	119,068	198,967
Less: loss allowance	(901)	(463)
	118,167	198,504

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 normally.

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 and bills receivables balances. Trade and bills receivables are non-interest-bearing.

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

	2020 HK$'000	2019 HK$'000
Within one month	28,309	26,874
Over one month but less than three months	46,579	25,789
Over three months	44,180	146,304
	119,068	198,967

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

22. TRADE AND BILLS RECEIVABLES (continued)

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

	2020 HK$'000	2019 HK$'000
At beginning of year	463	852
Net impairment loss/(reversal of impairment loss)	508	(389)
Exchange realignment	(70)	–
At end of year	901	463

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses of each individual debtor. 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 2020, the probability of default applied ranged from 0.03% to 53% (2019: 0.045% to 53%) and the loss given default rate was estimated to be 24% (2019: 24%).

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Prepayments	1,086	2,295
Prepayments to supplier for purchase of materials	579	4,143
Utility and other deposits	1,843	105
Other receivables	22,186	21,594
	25,694	28,137
Current portion included in prepayments, deposits and other receivables	(25,284)	(26,970)
Non-current portion included in prepayments	410	1,167

24. OTHER FINANCIAL ASSETS

At 31 March 2020, the Group's other financial assets represent financial products issued by banks, with short maturities and expected returns ranging from 1.15% to 3.2% (2019: 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 2020 and 2019. The financial products at 31 March 2020 and 2019 was fully redeemed by April 2020 and May 2019 respectively. The change in fair value up to the date of redemption was not significant.

25. BALANCES WITH RELATED PARTIES

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

	2020 **HK$'000**	Maximum amount outstanding during the year HK$'000	2019 HK$'000
Amounts due from related parties			
Jiangshan Youhe Machinery Co., Ltd. *(note i)*	**–**	55	55
Zhejiang Xingcai Agricultural Technology Co., Ltd. *(note ii)*	**1,305**	3,392	84
	1,305		139

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

	2020 **HK$'000**	2019 HK$'000
Amounts due to related parties		
Victory Stand International Limited *(note iii)*	**10**	10
Rise Triumph Limited *(note iii)*	**11,000**	11,000
浙江同景新能源集團有限公司 *(note ii)*	**–**	1
	11,010	11,011

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

25. BALANCES WITH RELATED PARTIES (continued)

Notes:

(i) Controlled by Mr. Xu Shui Sheng

(ii) Controlled by Mr. Wu Jian Nong

(iii) Substantial shareholder of the Company

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

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

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

26. CASH AND CASH EQUIVALENTS

	2020 HK$'000	2019 HK$'000
Cash and bank balances	**118,214**	78,659
Cash and cash equivalents denominated in:		
HK$	**14,540**	20,263
Renminbi ("RMB")	**103,334**	57,956
United States dollars ("US$")	**340**	440
	118,214	78,659

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$103,334,000 (2019: approximately HK$57,956,000). 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 authorised to conduct foreign exchange business.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

27. TRADE AND BILLS PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**49,275**	36,216
Bills payables	**18,186**	43,756
	67,461	79,972

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:

	2020 HK$'000	2019 HK$'000
Within one month	**33,144**	25,326
Over one month but less than two months	**8,065**	3,553
Over two months	**26,252**	51,093
	67,461	79,972

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

28. OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Other payables	**10,757**	5,831
Matured promissory note *(Note 29)*	**41,784**	–
Accruals	**2,266**	3,364
	54,807	9,195

Other payables are non-interest-bearing.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

29. PROMISSORY NOTE

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

	2020 HK$'000	2019 HK$'000
Promissory note	–	40,340
Analysis into:		
Within 1 year	–	40,340
	–	40,340

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 was secured by a charge on all the issued shares of Glory Kind, bore interest at 4% per annum and had a maturity period of 2 years from the date of issue. Pursuant to the deed of novation dated 29 September 2017, it was 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 was 7 March 2020, the terms remained unchanged upon the extension. Upon the maturity date and up to the year ended 31 March 2020, the promissory note has not been extended and the promissory note holder has not called for repayment. As at 31 March 2020, the matured promissory note is unsecured, bear interest at 4% per annum and has no specified repayment terms.

Interest expense on the promissory note is calculated using the effective interest method by applying the effective interest rate of 3.6% to the liability component.

	2020 HK$'000	2019 HK$'000
At beginning of year	40,340	38,900
Interest expenses	1,444	1,440
Transfer to other payable upon maturity	(41,784)	–
At end of year	–	40,340

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

30. BANK BORROWINGS

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

	2020			2019		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Bank loan – guarantee *(note)*	5.92-6.09	2020-2021	62,110	4.40-5.92	2019-2020	103,171

	2020 HK$'000	2019 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	62,110	103,171

Note:

As at 31 March 2020, the Group's bank loans were denominated in RMB, which were guaranteed by Mr. Wu Jian Nong, Jiang Shan Shi Ming Crystal Limited, Zhi Jiang Tonking New Energy Group Limited and Quzhou Oster Lighting Co., Ltd. which are the related parties of the Group and Jiangshan Huihong New Energy Co., Ltd. The average effective interest rate on the bank loans was 6.02% and was repayable within one year.

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.

31. LEASE LIABILITIES

	2020 HK$'000
Lease liabilities payable:	
Within one year	345

32. DEFERRED TAX

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

32. DEFERRED TAX (continued)

At 31 March 2020, deferred tax liabilities of approximately HK$14,711,000 (2019: approximately HK$13,387,000) 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.

33. ISSUED CAPITAL

	Number of ordinary share of HK$0.01 each	Nominal value of ordinary shares HK$'000
Authorised:		
At 1 April 2018, 31 March 2019 and 31 March 2020	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2018, 31 March 2019 and 31 March 2020	818,000,000	8,180

34. 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 2020

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

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

34. 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 2020 and 2019.

35. 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 financial statements.

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

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

	2020	2019
Percentage of equity interest held by non-controlling interests:		
Jin Zhai Xian Tong Jing New Energy Limited	40%	40%

	2020 HK$'000	2019 HK$'000
Profit for the year allocated to non-controlling interests:		
Jin Zhai Xian Tong Jing New Energy Limited	1,761	1,884
Accumulated balances of non-controlling interests at the reporting date:		
Jin Zhai Xian Tong Jing New Energy Limited	20,150	19,651

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

Jin Zhai Xian Tong Jing New Energy Limited

	2020 HK$'000	2019 HK$'000
Revenue	4,590	7,036
Total expenses	(187)	(2,329)
Profit for the year	4,403	4,707
Total comprehensive income for the year	1,246	4,812
Current assets	18,560	13,344
Non-current assets	31,928	36,013
Current liabilities	(111)	(226)
Net cash flows generated from operating activities	531	8,782
Net cash flows used in investing activities	–	(708)
Net cash flows used in financing activities	–	(8,044)
Net increase in cash and cash equivalents	531	30

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

37. 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

37. 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 2020

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Lease liabilities HK$'000	Promissory note HK$'000	Bank loans HK$'000
At 31 March 2019	–	40,340	103,171
Adjustment upon adoption of HKFRS 16	528	–	–
At 1 April 2019	528	40,340	103,171
Addition of right-of-use assets	471	–	–
Changes from financing cash flows	(642)	–	(35,566)
Interest expense	32	1,444	4,529
Interest paid classified as operating cash flows	–	–	(4,529)
Interest paid classified as financing cash flows	(32)	–	–
Transfer to other payable upon maturity	–	(41,784)	–
Exchange realignment	(12)	–	(5,495)
At 31 March 2020	345	–	62,110
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

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 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$892,000 for the year ended 31 March 2020 (2019: approximately HK$4,162,000). The amount was recognised in the statement of profit or loss for the year ended 31 March 2020.

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:

	2020 **HK$'000**	2019 HK$'000
R & C Corporate Services Limited *(note (i))*		
– corporate service fee	**–**	84
Well-In Hotel Supplies Company Limited *(note (i))*		
– purchase of kitchen utensils	**–**	47
– management fee	**–**	224
Jiangshan Youhe Machinery Co., Ltd. *(note (ii))*		
– rental expenses	**518**	325
Zhejiang Xingcai Agricultural Technology Co., Ltd. *(note (iii))*		
– expenses relating to leases with remaining lease terms ended on or before 31 March 2020	**87**	287
– addition of right-of-use assets	**471**	–
– interest expense on lease liabilities	**18**	–
– sales of equipment	**3,297**	–

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

40. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The directors of the Company 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 company is controlled by Mr. Xu Shui Sheng.

(iii) The related company is controlled by Mr. Wu Jian Nong.

(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:

	2020 HK$'000	2019 HK$'000
Short term employee benefits	3,256	2,184
Post-employment benefits	209	99
	3,465	2,283

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

41. OPERATING LEASE COMMITMENTS

The Group leases certain of its 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
Within one year	197

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.

	2020 HK$'000	2019 HK$'000
Contracted, but not provided for property, plant and equipment	**–**	13

43. FINANCIAL INSTRUMENTS BY CATEGORY

	2020 HK$'000	2019 HK$'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost:		
– Trade and bills receivables	**118,167**	195,804
– Financial assets included in prepayments, deposits and other receivables	**24,608**	25,842
– Due from related parties	**1,305**	139
– Cash and cash equivalents	**118,214**	78,659
	262,294	300,444
Financial assets at fair value through profit or loss		
– Other financial assets	**1,093**	3,031

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	2020 HK$'000	2019 HK$'000
Liabilities as per consolidated statement of financial position		
At amortised costs:		
– Trade and bills payables	67,461	79,972
– Financial liabilities included in other payables and accruals	54,807	9,195
– Due to related parties	11,010	11,011
– Promissory note	–	40,340
– Bank borrowings	62,110	103,171
– Lease liabilities	345	–
	195,733	243,689

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging

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. The amounts presented are gross carrying amounts for financial assets.

As at 31 March 2020

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Contract assets	**–**	**–**	**–**	**102,255**	**102,255**
Trade and bills receivables	**–**	**–**	**–**	**118,167**	**118,167**
Financial assets included in prepayments, deposits and other receivables	**24,608**	**–**	**–**	**–**	**24,608**
Due from related parties	**1,305**	**–**	**–**	**–**	**1,305**
Cash and cash equivalents	**118,214**	**–**	**–**	**–**	**118,214**
	144,127	**–**	**–**	**220,422**	**364,549**

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 March 2019

	12-month ECLs Stage 1	**Lifetime ECLs Stage 2**	**Lifetime ECLs Stage 3**	**Lifetime ECLs Simplified approach**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	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

The Group considered that the expected credit loss allowance for financial assets included in prepayments, deposits and other receivables and due from related parties are immaterial.

In respect of cash at banks, the credit risk is considered to be low as the counterparties are reputable banks. Therefore, expected credit loss rate of cash at banks are assessed to be close to zero and no provision was made.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in Note 22 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 27% (2019: 23%) and 73% (2019: 65%) of the Group's trade receivables and 24% (2019: 17%) and 64% (2019: 54%) of the Group's contract assets were due from the Group's largest customer and five largest customers respectively.

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.

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:

	2020		2019	
	Effective interest rates		Effective interest rates	
	%	HK$'000	%	HK$'000
Variable rate borrowings:				
Bank loans				
Short term loans	6.02	62,110	5.59	103,171
Total borrowings		62,110		103,171

(ii) Sensitivity analysis

At 31 March 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit before tax by approximately HK$37,000 (2019: HK$58,000).

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 2020

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 bank borrowings, promissory note, advances from related parties 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 2020				
Trade and bills payables	**67,461**	**–**	**–**	**67,461**
Financial liabilities included in other payables and accruals	**54,807**	**–**	**–**	**54,807**
Due to related parties	**11,010**	**–**	**–**	**11,010**
Bank borrowings	**62,110**	**–**	**–**	**62,110**
Lease liabilities	**351**	**–**	**–**	**351**
	195,739	**–**	**–**	**195,739**
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

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

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 related parties and financial liabilities included in trade and bills payables, other payables and accruals, amounts due to related parties, 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 2020 and 2019.

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:

	2020 HK$'000	2019 HK$'000
Due to related parties	11,010	11,011
Promissory note	–	40,340
Bank borrowings	62,110	103,171
Lease liabilities	345	–
Total debts	73,465	154,522
Total equity	221,787	230,373
Total capital	295,252	384,895
Gearing ratio	25%	40%

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

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:

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSET		
Property, plant and equipment	49	–
Right-of-use assets	118	–
Investments in subsidiaries	8	8
Total non-current assets	175	8
CURRENT ASSETS		
Due from subsidiaries	125,336	131,215
Cash and cash equivalents	44	44
Total current assets	125,380	131,259
CURRENT LIABILITIES		
Other payables and accruals	43,107	1,825
Due to related parties	10	10
Promissory note	–	40,340
Lease liabilities	122	–
Total current liabilities	43,239	42,175
NET CURRENT ASSETS	82,141	89,084
Net assets	82,316	89,092
EQUITY		
Issued capital	8,180	8,180
Reserves *(Note)*	74,136	80,912
Total equity	82,316	89,092

Approved and authorised for issue by the board of Directors on 16 July 2020.

Wu Jian Nong
Director

Shen Meng Hong
Director

Notes to the Financial Statements (continued)

For the year ended 31 March 2020

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	Retained profit/ (accumulated loss) HK$'000	Total HK$'000
At 1 April 2019	71,725	–	9,187	80,912
Loss for the year	–	–	(6,776)	(6,776)
At 31 March 2020	71,725	–	2,411	74,136
At 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 16 July 2020.

Five Years' Financial Summary

The consolidated results of the Group for the years ended 31 March 2016 to 2020 and the consolidated assets and liabilities of the Group as at 31 March 2016 to 2020 are set out in the audited financial statements.

RESULTS

	Year ended 31 March				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
REVENUE	284,887	691,113	907,651	834,970	406,285
PROFIT BEFORE TAX	11,395	42,546	31,132	42,597	12,093
Income tax expense	(3,305)	(10,922)	(9,163)	(16,673)	(7,243)
PROFIT FOR THE YEAR	8,090	31,624	21,969	25,924	4,850
Profit/(Loss) attributable to:					
Owners of the Company	6,329	29,640	21,006	25,992	5,078
Non-controlling interests	1,761	1,984	963	(68)	(228)
	8,090	31,624	21,969	25,924	4,850

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
TOTAL ASSETS	418,550	486,553	701,891	623,777	434,763
TOTAL LIABILITIES	(196,763)	(256,180)	(478,410)	(467,391)	(344,411)
	221,787	230,373	223,481	156,386	90,352
EQUITY:					
Equity attributable to owners of the Company	201,637	210,722	197,166	152,077	85,975
Non-controlling interests	20,150	19,651	26,315	4,309	4,377
	221,787	230,373	223,481	156,386	90,352