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 2021

* For identification purpose only

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Corporate Information

Board of Directors

Executive Directors

Mr. Wu Jian Nong *(Chairman and Chief Executive Officer)*
Ms. Shen Meng Hong
Mr. Xu Shui Sheng

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

Windward 3,
Regatta Office Park
P.O. Box 1350
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.
Windward 3,
Regatta Office Park
P.O. Box 1350
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 2021.

The delay of some of the Company's signed or awarded projects due to the impact of rising market prices of raw materials had impact on the photovoltaic industry. The Group recorded revenue of approximately HK$190.9 million for the year ended 31 March 2021, representing a decrease of approximately 33% compared with approximately HK$284.9 million of the corresponding period in 2020. The Group recorded a loss attributable to owners of the Company of approximately HK$8.6 million for the year ended 31 March 2021, whereas it recorded a profit attributable to owners of the Company of approximately HK$6.3 million for the year ended 31 March 2020. During the year, the total contracted installed capacity of Group was 699.43MW.

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. The Group is committed to promoting the healthy development of the photovoltaic industry, with the development direction of improving product performance, reducing the cost of electricity, and advancing grid parity.

The proposal of the targets of hitting peak carbon dioxide emissions before 2030 and achieving carbon neutrality before 2060, forecasts the arrival of the new energy era with solar photovoltaic power generation as the main driving force. While constantly innovating, the Group strives to bring the most visible benefits and the most decent services to users. The Company has been adhering to the core values of "with Tonking New Energy, we creating and sharing together" and the vision "becoming an enterprise with global influence in the field of light energy", and is committed to building green ecological intelligent photovoltaic power stations in the world.

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, 25 June 2021

Management Discussion and Analysis

Management Discussion and Analysis

BUSINESS REVIEW AND FUTURE PROSPECTS

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 2021, 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$190,854,000 (2020 corresponding period: HK$284,887,000), 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 699.43MW.

During the reporting period,

Signing of new contracts

(1) In April 2020, Tonking New Energy (Jiangshan) and Jiangshan City Changtai Town Huayuan Village Stock Economic Cooperative*（江山市長台鎮花園村股份經濟合作社）entered into a non-governmental procurement contract in relation to the 359.125KW ground-mounted photovoltaic poverty alleviation procurement project in Huayuan Village, Changtai Town

(2) In April 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 project of 40MW photovoltaic brackets of grid-connected power generation for Sungrow Power Supply Co., Ltd.*（陽光電源股份有限公司）and Jiuquan Huiyang New Energy Power Generation Co., Ltd.*（酒泉輝陽新能源發電有限公司）on Dongdong Beach, Suzhou District

(3) In April 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 of tracking mounting bracket systems for Sungrow Power Supply

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND FUTURE PROSPECTS (CONTINUED)

Renewable Energy Business (Continued)

Signing of new contracts (Continued)

(4) In April 2020, Tonking New Energy (Jiangshan) and Guangxi Construction Engineering Group No.2 Installation Construction Co., Ltd.* (廣西建工集團第二安裝建設有限公司) entered into a purchase and sale contract in relation to the 50MW mounting bracket for the Chongzuo project

(5) In May 2020, Tonking New Energy (Jiangshan) and Guangxi Construction Engineering Group No.2 Installation Construction Co., Ltd.* (廣西建工集團第二安裝建設有限公司) entered into a purchase and sale contract in relation to the 10MW mounting brackets for the Jiangong Longzhou project

(6) In June 2020, Tonking New Energy (Jiangshan) and Changshan Changfeng Hydropower Branch of Zhejiang Hengchang Industrial Group Co. Ltd.* (浙江恒昌實業集團有限公司常山長風水電分公司) entered into a contract in relation to the Hengchang rooftop photovoltaic project

(7) In June 2020, Tonking New Energy (Jiangshan) and Guangxi Construction Engineering Group No.2 Installation Construction Co., Ltd.* (廣西建工集團第二安裝建設有限公司) entered into a purchase and sale contract in relation to the 30MW mounting brackets for the Chongzuo project

(8) In June 2020, Tonking New Energy (Jiangshan) and Beijing Guodian Futong Science and Technology Development Co., Ltd.* (北京國電富通科技發展有限責任公司) entered into a procurement contract in relation to photovoltaic brackets for the Nanrui Chabei project

(9) In June 2020, Tonking New Energy (Jiangshan) and Beijing Guodian Futong Science and Technology Development Co., Ltd.* (北京國電富通科技發展有限責任公司) entered into a supplementary procurement contract in relation to photovoltaic brackets for the Nanrui Chabei project

(10) In August 2020, Tonking New Energy (Shanghai) and Beijing Changyuan Electric Engineering Co., Ltd.* (北京昶源電力工程有限公司) entered into a sale contract in relation to the 100MW flat uniaxial tracking mounting brackets of Phase I Project and the 100MW flat uniaxial tracking mounting brackets of Phase II Project in Kangbao Ranch Regeneration and Renewable Energy Demonstration Base

(11) In August 2020, 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 in relation to Jiuquan mounting bracket photovoltaic project

(12) In August 2020, Tonking New Energy (Jiangshan) and Ningxia Baofeng Energy Group Limited* (寧夏寶豐能源集團股份有限公司) entered into the general contract in relation to engineering design, purchase and installment of the 60MWP photovoltaic mounting bracket in solar energy electrolysis water hydrogen energy storage demonstration project

BUSINESS REVIEW AND FUTURE PROSPECTS (continued)

Renewable Energy Business (continued)

Signing of new contracts (continued)

(13) In September 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 the Dali Chiguang New Energy 100MW photovoltaic power generation project of Sungrow Power Supply Co., Ltd.*（陽光電源股份有限公司）

(14) In September 2020, Tonking New Energy (Jiangshan) and Xi'an Longji Clean Energy Company Limited*（西安隆基清潔能源有限公司）entered into a sale and purchase contract in relation to the flat uniaxial tracking mounting brackets power station products of Lot 2020-3# in Hainan Prefecture, Longji

(15) In September 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 Wutumeiren 200MW bidding project of Three Gorges Renewables Geermu Green Energy Power Generation Company Limited*（三峽新能源格爾木綠能新能源發電有限公司）in Haixi Prefecture of Sungrow Power Supply

(16) In September 2020, Tonking New Energy (Jiangshan) and 株式會社コスモスエナジー entered into a contract in relation to the 298.62kW flat uniaxial brackets system project of the 1.50MW photovoltaic project in Igadani, Hyogo Prefecture, Japan

(17) In September 2020, Tonking New Energy (Jiangshan) and Jiangshan City Tanshi Town Shangwang Village Stock Economic Cooperative*（江山市壇石鎮上王村股份經濟合作社）entered into a non-government procurement contract in relation to the 352KWP ground decentralized photovoltaic poverty alleviation project in Shangwang Village, Tanshi Town, Jiangshan City

(18) In October 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 the 4.1552MW photovoltaic project phase II in Tushan Town, Laizhou City

(19) In November 2020, Tonking New Energy (Jiangshan) and Nanjing NARI Solar Energy Technology Co., Ltd*（南京南瑞太陽能科技有限公司）entered into a procurement contract in relation to rooftop photovoltaic brackets for the Nanrui Chabei project

(20) In December 2020, Tonking New Energy (Jiangshan) and Xi'an Longji Clean Energy Company Limited*（西安隆基清潔能源有限公司）entered into a sale and purchase contract in relation to the power station products

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND FUTURE PROSPECTS (continued)

Renewable Energy Business (continued)

Signing of new contracts (continued)

(21) In December 2020, Tonking New Energy (Jiangshan) and China Energy Construction Group Shanxi Electric Power Construction No. 3 Co., Ltd. *（中國能源建設集團山西電力建設第三有限公司）entered into a subcontract in relation to the construction and installation of the elevating and renovating buildings for the 50MW photovoltaic power station in Zhoushang Village, Wanger Town, Yanshan County

(22) In December 2020, Tonking New Energy (Jiangshan) and Guangxi Jiangong Huaying Industry Co., Ltd*（廣西建工華盈實業有限公司）entered into a purchase and sale contract in relation to the 42MW floating bracket system

(23) In December 2020, Tonking New Energy (Jiangshan) and Zhejiang Hengchang Industrial Group Co. Ltd.*（浙江恒昌實業集團有限公司）entered into a contract in relation to the 1188KW Hengchang rooftop project

(24) In February 2021, Tonking New Energy (Jiangshan) and Shanghai Baoye Group Corp., Ltd.*（上海寶冶集團有限公司）entered into a contract in relation to the 40.02656MW Baoye Shayang project

(25) In February 2021, Tonking New Energy (Jiangshan) and SPIC Jiangxi Power Engineering Co., Ltd. Guixi Branch*（國家電投集團江西電力工程有限公司貴溪分公司）entered into a contract in relation to the 80MW Qianshan Fengchan Reservoir project

(26) In March 2021, Tonking New Energy (Jiangshan) and SPIC Materials and Equipment Branch*（國家電力投資集團有限公司物資裝備分公司）entered into a contract in relation to the 90MW Gongqing Phase III project

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. The Group is committed to promoting the healthy development of the photovoltaic industry, with the development direction of improving product performance, reducing the cost of electricity, and advancing grid parity.

Technological innovation has become the only way for domestic PV enterprises. In order to stabilize the Company market share in bracket products and maintain the market competitiveness of the products, Tonking New Energy, as an innovator and leader in the field of photovoltaic brackets, has developed a multi-point linkage bracket system with safety and stability as the breakthrough point through professional calculation software such as PVsyst, Ansys and Sap2000 and finite element analysis, while continuously improving its technology and advancement. Based on the original technology, the system has been technically upgraded in terms of the core transmission system, which has adopted a torque transmission system that can adapt to the complex environment and terrain instead of the original push rod transmission system. And it has carried out a modular design for the entire bracket system, with each module designed with a stable self-locking mechanism, which has further upgraded the safety performance of the bracket products.

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND FUTURE PROSPECTS (continued)

Renewable Energy Business (continued)

In order to improve the utilization rate of land resources, the Group has sorted out and integrated various technical points of the bracket system through technical means such as wind tunnel tests, software simulations and theoretical calculations, and analyzed various forms of brackets in the industry. After in-depth analysis and comparison of original needs, a herringbone bracket system with high land utilization has been developed. The bracket products have broken the inherent design thinking and used structural advantages, which have not only greatly reduced the impact of external loads on the brackets, but also enabled comprehensive design based on the project's geography, climate and other factors to meet the project needs to the greatest extent.

With the continuous reduction of high-quality project resources, it has become a new objective demand to solve the box-type transformer platform of surface power station. Therefore, the Group integrated resources, aggregated superior strength, combined with customers' needs and suggestions, and developed a floating water tank transformer installation platform with double buoyancy protection on the premise of safety and stability. The floating water surface box-type transformer installation platform adopts a sealed floating box with solid filling to provide double buoyancy protection; by simulating the ship's stability, the platform structure is optimized to make it have the ability of resisting wind and wave capsizing.

With the advancement of photovoltaic projects, fresh water surface resources are rapidly consumed, and the sea area with better offshore conditions has become the new focus of surface photovoltaic projects. In quick response to the market demand, the Group has made great efforts to develop floating photovoltaic brackets on the sea surface, and adopted a combination of new stainless steel materials resistant to complex seawater environment and new material painting and anticorrosion technology to create floating photovoltaic brackets suitable for the sea surface environment.

According to the different needs of market customers, the Group has comprehensively upgraded the technology of existing bracket products, and developed a full series of tracking control systems with various installation modes, power intake modes and communication modes. At the same time, aiming at the fixed adjustable bracket system, a tool-based and intelligent detachable adjustment system is designed, which can further save the bracket cost and reduce the labor cost on operation and maintenance.

The proposal of the targets of hitting peak carbon dioxide emissions before 2030 and achieving carbon neutrality before 2060, forecasts the arrival of the new energy era with solar photovoltaic power generation as the main driving force. While constantly innovating, Tonking New Energy strives to bring the most visible benefits and the most decent services to users. The Company has been adhering to the core values of "with Tonking New Energy, we creating and sharing together" and the vision "becoming an enterprise with global influence in the field of light energy", and is committed to building green ecological intelligent photovoltaic power stations in the world, so that human beings can fully enjoy light energy!

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

Revenue

For the financial year ended 31 March 2021, the Group recorded revenue of approximately HK$190,854,000, representing a decrease of approximately 33% compared with approximately HK$284,887,000 of the corresponding period in 2020.

Contract costs and costs of sales

The contract costs and costs of sales for the year ended 31 March 2021 was approximately HK$174,428,000 (2020: approximately HK$245,191,000). The costs were derived from the renewable energy business which was mainly represented by the cost of materials and supplies, subcontracting charges, labour costs, transportation, machine and vehicle rental expenses and other expenses.

Total administrative and other operating expenses

Total administrative and other operating expenses decreased by approximately 23% to approximately HK$27,558,000 for the year ended 31 March 2021 from approximately HK$35,912,000 for the corresponding period in 2020. The decrease was mainly due to the implementation of more cost savings measures during the year.

Of which:

1. Staff costs

The staff costs decreased by approximately 34% to approximately HK$8,930,000 for the year ended 31 March 2021 (2020: approximately HK$13,611,000).

2. Depreciation and amortisation

Depreciation and amortisation decreased by approximately 15% to approximately HK$4,103,000 for the year ended 31 March 2021 (2020: approximately HK$4,836,000).

3. Property rentals and related expenses

The property rentals and related expenses for the year ended 31 March 2021 amounted to approximately HK$83,000 (2020: approximately HK$87,000), representing a decrease of approximately 5% as compared to the corresponding period in 2020.

Net loss/profit

For the year ended 31 March 2021, the Group recorded a loss attributable to owners of the Company of approximately HK$8,630,000 (for the year ended 31 March 2020: a profit of approximately HK$6,329,000).

Management Discussion and Analysis (continued)

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 31 March 2021, the total number of issued shares of the Company is 818,000,000.

As at 31 March 2021, the share capital and equity attributable to owners of the Company amounted to HK$8,180,000 and approximately HK$213,318,000 respectively (2020: HK$8,180,000 and approximately HK$201,637,000 respectively).

Cash position

As at 31 March 2021, the cash and cash equivalents of the Group amounted to approximately HK$24,428,000 (2020: approximately HK$118,214,000), representing a decrease of approximately 79% as compared to that as at 31 March 2020.

Bank borrowings

During the year, the Group has borrowed short-term bank loans amounted to approximately HK$28,233,000 which bear effective interest rates of 5.5% per annum.

Gearing ratio

As at 31 March 2021, the gearing ratio of the Group was approximately 14% (2020: approximately 25%). 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, contract liabilities, other payables and accruals and tax payable.

Exchange rate exposure

The Group is principally engaged in the renewable energy business in the PRC. 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 2021.

Contingent Liabilities

As at 31 March 2021, the Group had no material contingent liabilities (2020: nil).

Capital Commitment

As at 31 March 2021, the Group had no material capital commitments (2020: nil).

Employees and Emolument Policies

The Group had 97 employees (including Directors) as at 31 March 2021 (2020: 93 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 the renewable energy 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 2021 will be published on the respective websites of the Stock Exchange and the Company on or before 30 September 2021.

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 2021, 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 2021 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 59
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 45
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 56
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 61
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 55
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 53
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 2021 (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 17 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 47 to 48 of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year ended 31 March 2021 (2020: nil).

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting ("AGM") of the Company will be held at 11:00 a.m. on 18 August 2021 (Wednesday) at No. 17 Kaiyuan Road, Shanhai Collaboration Park, Jiangshan City, Zhejiang Province, China.

For determining entitlement to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 13 August 2021 (Friday) to 18 August 2021 (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 12 August 2021 (Thursday).

Directors' Report (continued)

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2021, 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 15 of the annual report. Also the key financial performance indicators of the Group for the year ended 31 March 2021 is set out in the section headed "Five Years' Financial Summary" in page 116 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 14 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements in this annual report is set out on page 116. 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 30 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 2021.

TRANSFER TO RESERVES

Loss attributable to equity shareholders, before dividends, of approximately HK$8,630,000 have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 51 of this annual report.

Directors' Report (continued)

DISTRIBUTABLE RESERVES

As at 31 March 2021, 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$68,940,000.

Detail of movements in the reserves of the Company and the Group during the year are set out in note 39 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 59% of the total sales for the Year and sales to the largest customer included therein amounted to approximately 23% 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 23% 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 2021 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

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

Mr. Xu Shui Sheng and Ms. Wang Xiaoxiong 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 16 to 18 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 in note 36 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 2021 or at any time during the year ended 31 March 2021; (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 2021 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 2021 are set out in note 35 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 2021, 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 2021, 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 2021 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 2021, 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 29 to 41 of this annual report.

CHARITABLE DONATIONS

No charitable or other donations were made by the Group during the year (2020: 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 2021, 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, 25 June 2021

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 2021, the Company has complied with all the applicable code provisions of the Code contained in Appendix 15 to the GEM Listing Rules, except for the deviation from code provision A.2.1 as described below.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

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

In accordance with article 112 of the Articles, any director appointed by the Board either to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

Pursuant to 108(a) of the Articles, Mr. Xu Shui Sheng and Ms. Wang Xiaoxiong will retire from office as Directors at the forthcoming AGM, and being eligible, offer themselves for re-election.

Corporate Governance Report (continued)

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

Ms. Shen Meng Hong, being an executive Director, has entered into a service contract with the Company for a term of three years commencing on 3 August 2018 and may be terminated by either party by giving not less than two months' prior written notice.

Each of Mr. Wu Jian Nong and Mr. Xu Shui Sheng, all being executive Directors has entered into a service contract with the Company for a term of three years commencing on 1 October 2018 and may be terminated by either party by giving not less than two months' prior written notice.

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 2021.

Corporate Governance Report (continued)

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 March 2021 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

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 16 to 18 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 2021. 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 2021 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	8/8	N/A	N/A	N/A	N/A	1/1
Ms. Shen Meng Hong	7/8	N/A	N/A	1/1	1/1	1/1
Mr. Xu Shui Sheng	7/8	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Ms. Wang Xiaoxiong	6/8	5/5	1/1	1/1	1/1	1/1
Mr. Zhou Yuan	6/8	5/5	1/1	1/1	1/1	1/1
Mr. Yuan Jiangang	6/8	5/5	1/1	N/A	N/A	1/1

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 2021, the Audit Committee had reviewed the final results of the Group for the year ended 31 March 2020, the first quarterly results of the Group for the three months ended 30 June 2020, the interim results of the Group for the six months ended 30 September 2020 and the third quarterly results of the Group for the nine months ended 31 December 2020. The Audit Committee had reviewed the Group's internal controls for the year ended 31 March 2021. The Group's final results for the year ended 31 March 2021 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 2021. Details of the attendance of the Audit Committee meetings are set out above.

REMUNERATION COMMITTEE

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

Corporate Governance Report (continued)

REMUNERATION COMMITTEE (continued)

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

The Remuneration Committee held one meeting during the year ended 31 March 2021. 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 2021.

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 2021. Details of the attendance of the Nomination Committee meetings are set out above.

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

DIVERSITY OF THE BOARD

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

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

(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 2021. Details of the attendance of the Compliance Committee meeting are set out above.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Corporate Governance Report (continued)

PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

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

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

COMPANY SECRETARY

Mr. Cheng Man For ("Mr. Cheng"), an associate member of the Hong Kong 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 2021, senior management of the Company comprises three individuals.

The senior management's remuneration payment of the Company during the year ended 31 March 2021 falls within the following band:

	Number of individual
HK$1,000,000 or below	3

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

EXTERNAL AUDITORS' REMUNERATION

The Company engaged HLB Hodgson Impey Cheng Limited as its external auditors for the year ended 31 March 2021. 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 2021, 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.

Corporate Governance Report (continued)

PRINCIPAL RISKS

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

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

During the year, the Board appointed an independent professional consultancy firm – 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.

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.

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 2021.

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 47 to 115, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, 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 MATTERS

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

Independent Auditors' Report

KEY AUDIT MATTERS (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, 4, 5, 8 and 19 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.
- Testing the actual costs incurred on construction works.
- 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.

Independent Auditors' Report

KEY AUDIT MATTERS (continued)

Impairment assessment of financial assets and contract assets

We identified impairment assessment of financial assets and contract assets as a key audit matter due to the involvement of subjective judgement and estimates of the management of the Group in determining the expected credit losses of the Group's financial assets and contract assets at the end of the reporting period.

Relevant disclosures are included in Notes 3, 4, 19, 20 and 38 to the consolidate financial statements.

Our audit procedures in relation to impairment assessment of financial assets and contract assets mainly included:

- Discussing with management on the estimation involved in determining the amount of expected credit loss allowance regarding the financial assets and contract assets;
- Testing the working paper files prepared by management's expert to calculate the expected credit loss and checking the information included in the working paper files;
- Engaging a valuation expert to assist us to assess the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses by the management's expert; and
- Assessing the adequacy of the Group's disclosures about the expected credit loss allowance regarding financial assets and contract assets in the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of 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

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, actions taken to eliminate threats or safeguards applied.

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, 25 June 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	190,854	284,887
Contract costs and costs of sales		(174,428)	(245,191)
Gross profit		16,426	39,696
Other income	6	6,506	13,616
Administrative and other operating expenses		(27,558)	(35,912)
Finance costs	7	(2,688)	(6,005)
(LOSS)/PROFIT BEFORE TAX	8	(7,314)	11,395
Income tax credit/(expense)	11	63	(3,305)
(LOSS)/PROFIT FOR THE YEAR		(7,251)	8,090
Attributable to:			
Owners of the Company		(8,630)	6,329
Non-controlling interests		1,379	1,761
		(7,251)	8,090
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	13	(1.06)	0.77

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

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
(LOSS)/PROFIT FOR THE YEAR	(7,251)	8,090
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	22,048	(16,676)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX	22,048	(16,676)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	14,797	(8,586)
Attributable to:		
Owners of the Company	11,681	(9,085)
Non-controlling interest	3,116	499
	14,797	(8,586)

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

Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	38,872	38,085
Right-of-use assets	15	133	467
Intangible assets	16	5,634	6,084
Non-current prepayments	21	–	410
Total non-current assets		44,639	45,046
CURRENT ASSETS			
Inventories	18	11,158	7,186
Contract assets	19	19,102	102,255
Trade and bills receivables	20	228,684	118,167
Prepayments, deposits and other receivables	21	53,856	25,284
Other financial assets	22	–	1,093
Due from related parties	23	15	1,305
Cash and cash equivalents	24	24,428	118,214
Total current assets		337,243	373,504
CURRENT LIABILITIES			
Contract liabilities	19	6,599	163
Trade and bills payables	25	51,588	67,461
Other payables and accruals	26	48,251	54,807
Due to related parties	23	11,197	11,010
Bank borrowings	27	28,233	62,110
Lease liabilities	28	–	345
Tax payable		25	867
Total current liabilities		145,893	196,763
NET CURRENT ASSETS		191,350	176,741
TOTAL ASSETS LESS CURRENT LIABILITIES		235,989	221,787
Net assets		235,989	221,787

Consolidated Statement of Financial Position (continued)

As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	30	8,180	8,180
Reserves	32	205,138	193,457
		213,318	201,637
Non-controlling interests		22,671	20,150
Total equity		235,989	221,787

Approved and authorised for issue by the Board of Directors on 25 June 2021.

Wu Jian Nong
Director

Shen Meng Hong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Attributable to owners of the Company							
	Issued capital HK$'000 (Note 30)	**Share premium** HK$'000 (Note 32)	**Statutory reserves** HK$'000 (Note 32)	**Exchange fluctuation reserves** HK$'000 (Note 32)	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 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 and 1 April 2020	8,180	71,725	9,914	(17,442)	129,260	201,637	20,150	221,787
(Loss)/profit for the year	–	–	–	–	(8,630)	(8,630)	1,379	(7,251)
Other comprehensive income for the year	–	–	–	20,311	–	20,311	1,737	22,048
Total comprehensive income/(expense) for the year	–	–	–	20,311	(8,630)	11,681	3,116	14,797
Transfer to statutory reserves	–	–	1,187	–	(1,187)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	(595)	(595)
At 31 March 2021	8,180	71,725	11,101	2,869	119,443	213,318	22,671	235,989

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(7,314)	11,395
Adjustments for:		
Amortisation of intangible assets	932	1,165
Depreciation	3,171	3,671
Loss on disposal of items of property, plant and equipment	161	116
Interest income	(602)	(580)
Finance costs	2,688	6,005
Net (reversal of impairment losses)/impairment losses on financial assets and contract assets	(332)	1,176
Written off of contract assets	–	3,692
	(1,296)	26,640
(Increase)/decrease in inventories	(3,243)	21,794
Decrease/(increase) in contract assets	89,291	(16,507)
(Increase)/decrease in trade and bills receivables	(97,285)	69,323
(Increase)/decrease in prepayments, deposits and other receivables	(25,076)	717
Decrease/(increase) in amounts due from related parties	1,350	(1,205)
Decrease in other financial assets	1,144	1,795
Increase/(decrease) in contract liabilities	6,196	(11,726)
Decrease in trade and bills payables	(20,833)	(7,749)
(Decrease)/increase in other payables and accruals	(8,678)	4,410
Increase/(decrease) in amounts due to related parties	181	(1)
Cash (used in)/generated from operations	(58,249)	87,491
Interest paid	(1,242)	(4,529)
Income tax paid	(820)	(2,544)
Net cash flows (used in)/generated from operating activities	(60,311)	80,418

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2021

	Note	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		602	580
Purchases of items of property, plant and equipment		(623)	(289)
Net cash flows (used in)/generated from investing activities		(21)	291
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		27,237	63,727
Prepayment of bank borrowings		(65,003)	(99,293)
Principal portion of lease payments		(356)	(642)
Interest paid on lease liabilities		(6)	(32)
Dividends paid to non-controlling interests		(595)	–
Net cash flows used in financing activities		(38,723)	(36,240)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(99,055)	44,469
Effect of foreign exchange rate changes, net		5,269	(4,914)
Cash and cash equivalents at beginning of year		118,214	78,659
CASH AND CASH EQUIVALENTS AT END OF YEAR		24,428	118,214
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	24,428	118,214

Notes to the Financial Statements

For the year ended 31 March 2021

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 Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is at Room 1302, 13th Floor, Chevalier House, 45-51 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong. The Group's principal activity is the renewable energy business in the People's Republic of China (the "PRC").

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	*Definition of Material*
Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	*Insurance Contracts and the related Amendments*[1]
Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[5]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions*[4]
Amendments to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a single Transaction*[1]
Amendments to HKAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2018-2020*[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.
6 Effective for annual periods beginning on or after 1 April 2021.

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

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 2021. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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.

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

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:

Furniture and fixtures	2 years to 5 years
Other equipment	2 years to 5 years
Motor vehicles	2 years to 4 years
Generator and related equipment	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 2021

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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (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)

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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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.

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.

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

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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of intangible assets (other than goodwill)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as 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, bank borrowings and amounts due to related parties.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

Income tax

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

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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)

Provision of one-stop value added solution for photovoltaic power stations

Revenue from the provision of photovoltaic power stations construction services is recognised over time, by reference to the 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. For certain simple contracts where the Group consumes costs evenly throughout the project, revenue is recognised on the basis of the Group's inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of services.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

Sales of the patented photovoltaic tracking mounting bracket systems

Revenue from sales of customised products is recognised progressively over time when the Group manufactures the patented photovoltaic tracking mounting bracket systems in accordance with the customer's specification and the Group has the right to be paid for work done to date if the customer were to cancel the contract before the order was fully completed. Other sales are recognised when control of the products has transferred, being when the customer takes possession of and accepts the products.

Sales of electricity

Revenue from the sales of electricity is recognised when control of the asset is transferred to the customer, generally when electricity is supplied to the provincial grid companies.

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 2021

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 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 2021

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.

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.

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.

4. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment assessment of financial assets and contract assets

The loss allowances for financial assets and contract assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

5. SEGMENT INFORMATION AND REVENUE

For management purposes, the Group has only one reportable operating segment which is the renewable energy business segment. The renewable energy business segment engages in (i) provision of 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. Accordingly, no segment information is presented.

The Group's revenue from external customers was derived solely from its operations in the PRC and over 90% of the non-current assets of the Group were located in the PRC.

Information about major customers

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

	2021 **HK$'000**	2020 HK$'000
Customer A	**43,390**	32,768
Customer B	**N/A[1]**	107,201
Customer C	**N/A[1]**	39,799
Customer D	**N/A[1]**	42,822
Customer E	**21,900**	N/A[1]
Customer F	**19,734**	N/A[1]

[1] 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 2021

5. SEGMENT INFORMATION AND REVENUE (continued)

An analysis of revenue is as follows:

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers		
Provision of one-stop value added solution and sales of the patented photovoltaic tracking mounting bracket systems	**190,854**	284,887

(i) Disaggregated revenue information

	2021 HK$'000	2020 HK$'000
Timing of revenue recognition		
At a point in time	**168,350**	–
Over time	**22,504**	284,887
	190,854	284,887

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:

	2021 HK$'000	2020 HK$'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	**166**	12,188

5. SEGMENT INFORMATION AND REVENUE (continued)

(ii) Performance obligations

Provision of one-stop value added solution for photovoltaic power stations

The Group provides one-stop value added solution 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. For certain simple contracts where the Group consume costs evenly throughout the project, revenue is recognised on the basis of the Group's inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of services.

Sales of the patented photovoltaic tracking mounting bracket systems

Revenue from sales of customised products is recognised progressively over time when the Group manufactures the patented photovoltaic tracking mounting bracket systems in accordance with the customer's specification and the Group has the right to be paid for work done to date if the customer were to cancel the contract before the order was fully completed. Other sales are recognised when control of the products has transferred, being when the customers takes possession of the accept the products.

(iii) Transaction price allocated to the remaining performance obligations from contracts with customers

The Group has applied the practical expedient under HKFRS 15 so that transaction price allocated to unsatisfied performance obligations under contracts for provision of one-stop value added solution and sales of the patented photovoltaic tracking mounting bracket systems are not disclosed as such contracts have an original expected duration of one year or less.

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

6. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Interest income	602	580
Sales of electricity income	4,556	5,395
Net realised and unrealised gains on other financial assets	493	1,039
Government grants and subsidy	158	6,496
Others	697	106
	6,506	13,616

7. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest expense on promissory note	1,440	1,444
Interest expense on bank borrowings	1,242	4,529
Interest expense on lease liabilities	6	32
	2,688	6,005

8. (LOSS)/PROFIT BEFORE TAX

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

	2021 HK$'000	2020 HK$'000
Amortisation of intangible assets (included in administrative and other operating expenses)	932	1,165
Auditors' remuneration	750	750
Depreciation of property, plant and equipment	2,817	3,018
Depreciation of right-of-use assets	354	653
Property rental and rental expenses		
Short-term leases – Premises	83	87
Contract costs and costs of sales:		
Cost of materials and supplies	152,577	204,652
Subcontracting charges	4,747	8,024
Labour cost	13,323	26,119
Transportation	694	1,057
Short-term leases		
– Machinery, motor vehicles and other equipment	2,417	2,379
Other expenses	670	2,960
	174,428	245,191
Employee benefits expenses (including directors' and chief executive's remuneration):		
Salaries, wages, fees and other benefits	8,593	12,719
Retirement benefit scheme contributions	337	892
	8,930	13,611
Net (reversal of impairment losses)/impairment losses on financial assets and contract assets	(332)	1,176
Written off of contract assets	–	3,692
Loss on disposal of items of property, plant and equipment	161	116
Foreign exchange differences, net	47	(23)

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2021 HK$'000	2020 HK$'000
Fees	757	1,704
Other emoluments:		
Salaries, allowances and benefits in kind	1,067	1,553
Retirement benefit scheme contributions	74	187
	1,898	3,444

(a) Independent non-executive directors

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2021					
Mr. Zhou Yuan	100	–	–	–	100
Ms. Wang Xiaoxiong	100	–	–	–	100
Mr. Yuan Jiangang	100	–	–	–	100
	300	–	–	–	300
Year ended 31 March 2020					
Mr. Zhou Yuan	100	–	–	–	100
Ms. 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 (2020: nil).

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

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 2021					
Mr. Wu Jian Nong					
(Chief Executive Officer)	**457**	**371**	**–**	**48**	**876**
Ms. Shen Meng Hong	**–**	**348**	**–**	**13**	**361**
Mr. Xu Shui Sheng	**–**	**348**	**–**	**13**	**361**
	457	**1,067**	**–**	**74**	**1,598**
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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2020: nil).

During the years ended 31 March 2021 and 2020, 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 2021

10. FIVE HIGHEST PAID EMPLOYEES

Three (2020: Four) of the five highest paid employees were directors of the Company for the year ended 31 March 2021.

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:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and benefits in kind	594	335
Discretionary bonuses	27	28
Retirement benefit scheme contributions	38	15
	659	378

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

	Number of individuals	
	2021	2020
Nil to HK$1,000,000	2	1

During the years ended 31 March 2021 and 2020, 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.

11. INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong profits tax has been made for both years as the Group did not generate any assessable profits arising in Hong Kong. Enterprise income tax is provided on the estimated taxable profits of the subsidiaries established in the PRC at a rate of 25% (2020: 25%) during the year.

	2021 HK$'000	2020 HK$'000
Current tax – PRC		
(Credit)/charge for the year	(63)	3,305

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

	2021 HK$'000	2020 HK$'000
(Loss)/profit before tax	(7,314)	11,395
Tax at Hong Kong profits tax rate at 16.5%	(1,207)	1,880
Tax effect of different tax rate of subsidiaries operating in the PRC	(180)	1,546
Tax effect of expenses not deductible for tax purpose	1,290	1,056
Tax concession granted by local authority	(576)	(1,177)
Others	610	–
Income tax (credit)/expense for the year	(63)	3,305

12. DIVIDENDS

During the year ended 31 March 2021, no dividends have been paid or declared by the Company (2020: nil).

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

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

	2021 HK$'000	2020 HK$'000
(Loss)/earnings		
(Loss)/profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss)/earnings per share	(8,630)	6,329

	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	818,000	818,000

For the years ended 31 March 2021 and 2020, the calculation of the basic (loss)/earnings per share attributable to owners of the Company was based on (i) the (loss)/profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares in issue during the years ended 31 March 2021 and 2020.

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2021 and 2020.

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Other equipment HK$'000	Motor vehicles HK$'000	Generator and related equipment HK$'000	Total HK$'000
31 March 2021					
At 31 March 2020 and 1 April 2020:					
Cost	2,796	953	1,482	43,593	48,824
Accumulated depreciation	(1,273)	(619)	(1,313)	(7,534)	(10,739)
Net carrying amount	1,523	334	169	36,059	38,085
At 1 April 2020, net of accumulated depreciation and impairment	1,523	334	169	36,059	38,085
Additions	529	52	42	–	623
Disposal during the year	(72)	(83)	(6)	–	(161)
Exchange realignment	127	24	12	2,979	3,142
Depreciation provided during the year	(443)	(92)	(96)	(2,186)	(2,817)
At 31 March 2021, net of accumulated depreciation and impairment	1,664	235	121	36,852	38,872
At 31 March 2021:					
Cost	3,348	814	1,591	47,290	53,043
Accumulated depreciation	(1,684)	(579)	(1,470)	(10,438)	(14,171)
Net carrying amount	1,664	235	121	36,852	38,872
31 March 2020					
At 31 March 2019 and 1 April 2019:					
Cost	2,987	1,048	1,583	46,473	52,091
Accumulated depreciation	(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	(1,273)	(619)	(1,313)	(7,534)	(10,739)
Net carrying amount	1,523	334	169	36,059	38,085

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

15. 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
As at 1 April 2020	**125**	**342**	**467**
Exchange realignment	**10**	**10**	**20**
Depreciation charge	**(3)**	**(351)**	**(354)**
As at 31 March 2021	**132**	**1**	**133**

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

	2021 **HK$'000**	2020 HK$'000
Interest on lease liabilities	**6**	32
Depreciation of right-of-use assets	**354**	653
Expense relating to short-term leases	**2,500**	2,466
Total amount recognised in profit or loss	**2,860**	3,151

(c) The total cash outflow for leases is disclosed in note 34 to the financial statements.

16. INTANGIBLE ASSETS

	Development cost HK$'000	Computer software HK$'000	Total HK$'000
31 March 2021			
At 31 March 2020 and 1 April 2020:			
Cost	7,877	1,180	9,057
Accumulated amortisation	(1,882)	(1,091)	(2,973)
Net carrying amount	5,995	89	6,084
At 1 April 2020, net of accumulated amortisation	5,995	89	6,084
Amortisation provided during the year	(839)	(93)	(932)
Exchange realignment	478	4	482
At 31 March 2021, net of accumulated amortisation	5,634	–	5,634
At 31 March 2021:			
Cost	8,545	1,280	9,825
Accumulated amortisation	(2,911)	(1,280)	(4,191)
Net carrying amount	5,634	–	5,634
31 March 2020			
At 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

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
Computer software	2 years

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

17. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries are as follows:

Company name	Place of incorporation/ establishment operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			2021	2020	
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
Tonking New Energy Technology (Jiangshan) Limited*[2] (同景新能源科技(江山)有限公司)	PRC	RMB620,000,000 (RMB100,000,000 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

1 wholly-owned foreign enterprise

2 private limited liability company

* *English translation for identification purpose only*

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

18. INVENTORIES

	2021 HK$'000	2020 HK$'000
Materials for construction contracts	**11,158**	7,186

19. CONTRACT ASSETS/LIABILITIES

Contract assets

	2021 HK$'000	2020 HK$'000
Contract assets arising from construction service	**19,115**	102,936
Less: loss allowance	**(13)**	(681)
	19,102	102,255

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.

As at 31 March 2021, included in contract assets comprises retention receivables of approximately HK$7,840,000 (2020: HK$62,185,000), after recognition of loss allowance of approximately HK$6,000 (2020: HK$198,000), the carrying amount of retention receivables was approximately HK$7,834,000 (2020: HK$61,987,000).

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

19. CONTRACT ASSETS/LIABILITIES (continued)

Contract assets (continued)

The Group classifies these contract assets under current assets because the Group expects to realise them in its normal operating cycle.

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

	2021 HK$'000	2020 HK$'000
At beginning of year	681	33
Net impairment (gain)/loss	(666)	668
Exchange realignment	(2)	(20)
At end of year	13	681

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. At 31 March 2021, the probability of default applied ranged from 0.05% to 1.41% (2020: 0.03% to 53%) and the loss given default rate was estimated to be 24% (2020: 24%).

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

19. CONTRACT ASSETS/LIABILITIES (continued)

Contract liabilities

	2021 HK$'000	2020 HK$'000
Advances received from customers	6,599	163

20. TRADE AND BILLS RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	140,088	101,494
Bills receivables	89,918	17,574
	230,006	119,068
Less: loss allowance	(1,322)	(901)
	228,684	118,167

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 (or date of revenue recognition, if earlier), is as follows:

	2021 HK$'000	2020 HK$'000
Current or within one month	101,716	28,309
Over one month but less than three months	36,470	46,579
Over three months	91,820	44,180
	230,006	119,068

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

20. TRADE AND BILLS RECEIVABLES (continued)

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

	2021 HK$'000	2020 HK$'000
At beginning of year	**901**	463
Net impairment loss	**334**	508
Exchange realignment	**87**	(70)
At end of year	**1,322**	901

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. At 31 March 2021, the probability of default applied ranged from 0.05% to 53% (2020: 0.03% to 53%) and the loss given default rate was estimated to be 24% (2020: 24%).

As at 31 March 2021, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately HK$36,960,000 (2020: HK$21,689,000) which are past due as at the reporting date. Out of the past due balances, HK$30,412,000 (2020: HK$19,082,000) has been past due 90 days or more and is not considered as in default due to the long-term/on-going relationship and good repayment record from these customers. The Group does not hold any collateral over these balances.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Prepayments	**1,024**	1,086
Prepayments to supplier for purchase of materials	**8,943**	579
Utility and other deposits	**1**	1,843
Other receivables	**43,888**	22,186
	53,856	25,694
Current portion included in prepayments, deposits and other receivables	**(53,856)**	(25,284)
Non-current portion included in prepayments	**–**	410

22. 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% 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. The financial products at 31 March 2020 was fully redeemed by April 2020. The change in fair value up to the date of redemption was not significant.

23. BALANCES WITH RELATED PARTIES

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

	2021 HK$'000	Maximum amount outstanding during the year HK$'000	2020 HK$'000
Amounts due from related parties			
Zhejiang Xingcai Agricultural Technology Co., Ltd. *(note i)*	–	1,305	1,305
Quzhou Tong Jing New Energy Limited *(note iii)*	15	15	–
	15		1,305

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

	2021 HK$'000	2020 HK$'000
Amounts due to related parties		
Victory Stand International Limited *(note ii)*	10	10
Rise Triumph Limited *(note ii)*	11,000	11,000
Jiangshan Youhe Machinery Co., Ltd. *(note iii)*	22	–
Zhejiang Xingcai Agricultural Technology Co., Ltd. *(note i)*	165	–
	11,197	11,010

Notes:

(i) Controlled by Mr. Wu Jian Nong

(ii) Substantial shareholder of the Company

(iii) Controlled by Mr. Xu Shui Sheng

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

23. BALANCES WITH RELATED PARTIES (continued)

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.

24. CASH AND CASH EQUIVALENTS

	2021 HK$'000	2020 HK$'000
Cash and bank balances	24,428	118,214
Cash and cash equivalents denominated in:		
HK$	10,836	14,540
Renminbi ("RMB")	12,979	103,334
United States dollars ("US$")	336	340
Japanese yen	277	–
	24,428	118,214

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$12,979,000 (2020: HK$103,334,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through bank authorized to conduct foreign exchange business.

25. TRADE AND BILLS PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	19,749	49,275
Bills payables	31,839	18,186
	51,588	67,461

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

25. TRADE AND BILLS PAYABLES (continued)

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:

	2021 HK$'000	2020 HK$'000
Within one month	20,598	33,144
Over one month but less than two months	5,665	8,065
Over two months	25,325	26,252
	51,588	67,461

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

26. OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Other payables	1,901	10,757
Matured promissory note *(Note)*	43,224	41,784
Accruals	3,126	2,266
	48,251	54,807

Other payables are non-interest-bearing.

Note:

Significant terms and repayment schedule of promissory note:

On 9 September 2015, Glory Kind Development Limited ("Glory Kind"), a subsidiary of the Company, issued promissory note with a principal amount of HK$36,000,000, which 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 2021 and 2020, the matured promissory note is unsecured, bear interest at 4% per annum and has no specified repayment terms.

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

27. BANK BORROWINGS

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

	2021			2020		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Bank loans – guarantee *(note)*	5.5	2021-2022	28,233	5.92-6.09	2020-2021	62,110

	2021 HK$'000	2020 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	28,233	62,110

Note:

As at 31 March 2021, the Group's bank loan was 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. The effective interest rate on the bank loan was 5.5% and was repayable within one year.

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.

28. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	–	345

29. 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.

29. DEFERRED TAX (continued)

At 31 March 2021, deferred tax liabilities of approximately HK$16,025,000 (2020: HK$14,711,000) 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.

30. ISSUED CAPITAL

	Number of ordinary share of HK$0.01 each	Nominal value of ordinary shares HK$'000
Authorised:		
At 1 April 2019, 31 March 2020 and 31 March 2021	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2019, 31 March 2020 and 31 March 2021	818,000,000	8,180

31. 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 2021

31. 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).

31. 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 2021 and 2020.

32. 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) 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.

(iii) 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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

33. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2021	2020
Percentage of equity interest held by non-controlling interests:		
Jin Zhai Xian Tong Jing New Energy Limited	40%	40%

	2021 HK$'000	2020 HK$'000
Profit for the year allocated to non-controlling interests:		
Jin Zhai Xian Tong Jing New Energy Limited	1,379	1,761
Accumulated balances of non-controlling interests at the reporting date:		
Jin Zhai Xian Tong Jing New Energy Limited	22,671	20,150

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

	2021 HK$'000	2020 HK$'000
Revenue	4,000	4,590
Total expenses	(553)	(187)
Profit for the year	3,447	4,403
Total comprehensive income for the year	6,304	1,246
Current assets	24,181	18,560
Non-current assets	32,616	31,928
Current liabilities	(116)	(111)
Net cash flows (used in)/generated from operating activities	(415)	531
Net (decrease)/increase in cash and cash equivalents	(415)	531

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

34. 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 1 April 2020	345	–	62,110
Changes from financing cash flows	(356)	–	(37,766)
Interest expense	6	–	1,242
Interest paid classified as operating cash flows	–	–	(1,242)
Interest paid classified as financing cash flows	(6)	–	–
Exchange realignment	11	–	3,889
At 31 March 2021	–	–	28,233
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

* *Included in other payables and accruals*

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

35. RETIREMENT BENEFIT SCHEME

The Group operates a 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 consolidated 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$337,000 for the year ended 31 March 2021 (2020: HK$892,000). The amount was recognised in the consolidated statement of profit or loss for the year ended 31 March 2021.

36. RELATED PARTY TRANSACTIONS

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

	2021 HK$'000	2020 HK$'000
Jiangshan Youhe Machinery Co., Ltd. *(note (i))*		
– short-term leases	509	518
Zhejiang Xingcai Agricultural Technology Co., Ltd. *(note (ii))*		
– short-term leases	96	87
– addition of right-of-use assets	–	471
– interest expense on lease liabilities	5	18
– sales of equipment	–	3,297

36. 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) The related company is controlled by Mr. Xu Shui Sheng.

(ii) 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 consolidated financial statements, is as follows:

	2021 HK$'000	2020 HK$'000
Short term employee benefits	1,823	3,256
Post-employment benefits	74	209
	1,897	3,465

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

37. FINANCIAL INSTRUMENTS BY CATEGORY

	2021 HK$'000	2020 HK$'000
Assets as per consolidated statement of financial position		
Financial assets at amortised cost:		
– Trade and bills receivables	228,684	118,167
– Financial assets included in prepayments, deposits and other receivables	43,889	24,608
– Due from related parties	15	1,305
– Cash and cash equivalents	24,428	118,214
	297,016	262,294
Financial assets at fair value through profit or loss		
– Other financial assets	–	1,093
Liabilities as per consolidated statement of financial position		
At amortised cost:		
– Trade and bills payables	51,588	67,461
– Financial liabilities included in other payables and accruals	48,251	54,807
– Due to related parties	11,197	11,010
– Bank borrowings	28,233	62,110
– Lease liabilities	–	345
	139,269	195,733

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise cash and cash equivalents, other financial assets, bank borrowings and trade and bills receivables. The Group has various other financial assets and liabilities such as 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.

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 and contract assets.

As at 31 March 2021

		Lifetime ECLs			
	ECLs 12-month Stage 1 HK$'000	**Stage 2** HK$'000	**Stage 3** HK$'000	**Simplified approach (Not credit impaired)** HK$'000	**Total** HK$'000
Contract assets	–	–	–	19,115	19,115
Trade and bills receivables	–	–	–	230,006	230,006
Financial assets included in prepayments, deposits and other receivables	43,889	–	–	–	43,889
Due from related parties	15	–	–	–	15
Cash and cash equivalents	24,428	–	–	–	24,428
	68,332	–	–	249,121	317,453

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 March 2020

	ECLs	Lifetime ECLs			
	12-month Stage 1	Stage 2	Stage 3	Simplified approach (Not credit impaired)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Contract assets	–	–	–	102,936	102,936
Trade and bills receivables	–	–	–	119,068	119,068
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	–	–	222,004	366,131

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 20 to the consolidated financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 13% (2020: 27%) and 53% (2020: 73%) of the Group's trade receivables and 64% (2020: 24%) and 98% (2020: 64%) of the Group's contract assets were due from the Group's largest customer and five largest customers respectively.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

(i) Interest rate profile

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

	2021		2020	
	Effective interest rates		Effective interest rates	
	%	HK$'000	%	HK$'000
Variable rate borrowings:				
Bank loans				
Short term loans	5.5	28,233	6.02	62,110

(ii) Sensitivity analysis

At 31 March 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss before tax by approximately HK$16,000 (2020: decreased/increased the Group's profit before tax by approximately HK$37,000).

The sensitivity analysis above indicates the instantaneous change in the Group's loss/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 loss/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 2021

38. 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, 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 2021				
Trade and bills payables	**51,588**	**–**	**–**	**51,588**
Financial liabilities included in other payables and accruals	**48,251**	**–**	**–**	**48,251**
Due to related parties	**11,197**	**–**	**–**	**11,197**
Bank borrowings	**28,621**	**–**	**–**	**28,621**
	139,657	**–**	**–**	**139,657**
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	62,654	–	–	62,654
Lease liabilities	351	–	–	351
	196,283	–	–	196,283

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

38. 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, 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 2021 and 2020.

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:

	2021 HK$'000	2020 HK$'000
Due to related parties	11,197	11,010
Bank borrowings	28,233	62,110
Lease liabilities	–	345
Total debts	39,430	73,465
Total equity	235,989	221,787
Total capital	275,419	295,252
Gearing ratio	14%	25%

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

39. 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:

	2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	16	49
Right-of-use assets	–	118
Investments in subsidiaries	8	8
Total non-current assets	24	175
CURRENT ASSETS		
Due from subsidiaries	121,480	125,336
Cash and cash equivalents	–	44
Total current assets	121,480	125,380
CURRENT LIABILITIES		
Other payables and accruals	44,374	43,107
Due to related parties	10	10
Lease liabilities	–	122
Total current liabilities	44,384	43,239
NET CURRENT ASSETS	77,096	82,141
Net assets	77,120	82,316
EQUITY		
Issued capital	8,180	8,180
Reserves *(Note)*	68,940	74,136
Total equity	77,120	82,316

Approved and authorised for issue by the board of Directors on 25 June 2021.

Wu Jian Nong
Director

Shen Meng Hong
Director

Notes to the Financial Statements (continued)

For the year ended 31 March 2021

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

Note:

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

	Share premium HK$'000	Retained profit/ (accumulated loss) HK$'000	Total HK$'000
At 1 April 2019	71,725	9,187	80,912
Loss and total comprehensive expense for the year	–	(6,776)	(6,776)
At 31 March 2020	71,725	2,411	74,136
At 1 April 2020	**71,725**	**2,411**	**74,136**
Loss and total comprehensive expense for the year	**–**	**(5,196)**	**(5,196)**
At 31 March 2021	**71,725**	**(2,785)**	**68,940**

40. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 June 2021.

Five Years' Financial Summary

RESULTS

	Year ended 31 March				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
REVENUE	190,854	284,887	691,113	907,651	834,970
(LOSS)/PROFIT BEFORE TAX	(7,314)	11,395	42,546	31,132	42,597
Income tax (credit)/expense	63	(3,305)	(10,922)	(9,163)	(16,673)
(LOSS)/PROFIT FOR THE YEAR	(7,251)	8,090	31,624	21,969	25,924
(Loss)/Profit attributable to:					
Owners of the Company	(8,630)	6,329	29,640	21,006	25,992
Non-controlling interests	1,379	1,761	1,984	963	(68)
	(7,251)	8,090	31,624	21,969	25,924

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
TOTAL ASSETS	381,882	418,550	486,553	701,891	623,777
TOTAL LIABILITIES	(145,893)	(196,763)	(256,180)	(478,410)	(467,391)
	235,989	221,787	230,373	223,481	156,386
EQUITY:					
Equity attributable to owners of the Company	213,318	201,637	210,722	197,166	152,077
Non-controlling interests	22,671	20,150	19,651	26,315	4,309
	235,989	221,787	230,373	223,481	156,386