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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of Tonking New Energy Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* *For identification purpose only*

FINANCIAL HIGHLIGHTS

– Revenue for the year ended 31 March 2016 increased by approximately 58% to approximately HK$402,685,000 (2015: approximately HK$254,689,000).

– Profit for the year ended 31 March 2016 amounted to approximately HK$4,850,000 (2015: approximately HK$701,000).

– Consolidated net asset value of the Group as at 31 March 2016 increased slightly to approximately HK$90,352,000 (2015: approximately HK$85,015,000).

– Total equity attributable to owners of the Company as at 31 March 2016 was approximately HK$85,975,000 (2015: approximately HK$80,410,000).

– Basic and diluted earnings per share attributable to ordinary equity holders of the Company for the year ended 31 March 2016 was approximately HK$0.0127 (2015: approximately HK$0.0013).

– The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: nil).

ANNUAL RESULTS

The board (the "Board") of Directors of the Company presents the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2016, together with the comparative figures for the year ended 31 March 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
REVENUE	3	**402,685**	254,689
Other income	4	**563**	904
Cost of food and beverage	6	**(77,794)**	(71,595)
Contract costs	6	**(112,208)**	–
Staff costs		**(83,564)**	(75,607)
Depreciation and amortisation		**(16,334)**	(17,489)
Property rentals and related expenses		**(60,807)**	(53,183)
Fuel and utility expenses		**(6,190)**	(5,558)
Administrative and other operating expenses		**(33,473)**	(29,627)
Finance costs	5	**(785)**	–
PROFIT BEFORE TAX	6	**12,093**	2,534
Income tax expense	7	**(7,243)**	(1,833)
PROFIT FOR THE YEAR		**4,850**	701
Attributable to:			
Owners of the Company		**5,078**	539
Non-controlling interests		**(228)**	162
		4,850	701
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	9	**1.27**	0.13

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**4,850**	701
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**487**	–
Other comprehensive income, net of tax	**487**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**5,337**	701
Attributable to:		
Owners of the Company	**5,565**	539
Non-controlling interests	**(228)**	162
	5,337	701

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**20,996**	26,535
Intangible assets		**605**	826
Deposits paid for acquiring property, plant and equipment		**1,344**	580
Non-current rental deposits		**11,622**	17,865
Total non-current assets		**34,567**	45,806
CURRENT ASSETS			
Inventories	*10*	**45,460**	2,635
Gross amount due from customers for contract works	*11*	**139,159**	–
Trade receivables	*12*	**1,268**	1,291
Prepayments, deposits and other receivables		**169,439**	6,746
Due from related parties		**2,680**	1,943
Due from ultimate holding company		**–**	8
Due from non-controlling shareholders		**123**	125
Tax recoverable		**995**	1,112
Pledged deposits		**19,081**	–
Cash and cash equivalents		**21,991**	49,852
Total current assets		**400,196**	63,712
CURRENT LIABILITIES			
Trade payables	*13*	**53,809**	6,561
Other payables and accruals	*14*	**222,878**	8,511
Due to related parties		**14,092**	575
Due to non-controlling shareholders		**1,912**	1,912
Provision for reinstatement costs		**3,508**	2,409
Tax payable		**6,188**	996
Total current liabilities		**302,387**	20,964
NET CURRENT ASSETS		**97,809**	42,748
TOTAL ASSETS LESS CURRENT LIABILITIES		**132,376**	88,554

	Notes	**2016** HK$'000	2015 HK$'000
NON-CURRENT LIABILITIES			
Promissory note		**36,785**	–
Provision for reinstatement costs		**5,239**	3,539
Total non-current liabilities		**42,024**	3,539
Net assets		**90,352**	85,015
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*15*	**4,000**	4,000
Reserves		**81,975**	76,410
		85,975	80,410
Non-controlling interests		**4,377**	4,605
Total equity		**90,352**	85,015

NOTES:

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

The address of the registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business in Hong Kong is 14th Floor, TAL Building, 45-53 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company is an investment holding company. The Group's business of operation and management of restaurants and cake shops in Hong Kong remained the same for the year ended 31 March 2016. In addition, the Group expanded its principal business activities to include renewable energy business in the People's Republic of China (the "PRC").

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

2. APPLICATION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010-2012 Cycle
Annual Improvements Project	Annual Improvements 2011-2013 Cycle

The adoption of the above revised HKFRSs has had no significant financial effect on these financial statements.

2.1 NEW AND REVISED HKFRSs NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the consolidated financial statements.

HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (2011) (Amendments)	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture[4]
HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments)	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKAS 1 (Amendments)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[1]
HKAS 27 (2011) (Amendments)	Equity Method in Separate Financial Statements[1]
Annual Improvements Project	Annual Improvements 2012-2014 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[4] No mandatory effective date is determined but is available for early adoption.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the Hong Kong Institute of Certified Public Accountant ("HKICPA") issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group is currently assessing the impact of the standard.

HKFRS 15 established a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expected to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expected to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 supersedes HKAS 17 "Leases", HK(IFRIC) – Int 4 "Determining whether an Arrangement contain a Lease", HK(SIC) – Int 15 "Operating Lease – Incentives" and HK(SIC) – Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 "Leases". Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components. The Group expected to adopt HKFRS 16 on 1 April 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

The Group is in the process of making an assessment of the impact of these new and revised standards and amendments upon initial application but is not yet in a position to state whether these new and revised standards and amendments would have a significant impact on its results of operations and financial position.

3. SEGMENT INFORMATION AND REVENUE

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments for the year ended 31 March 2016 as follows:

(a) Renewable energy business segment is principally engaged in research and development of solar power technology, operation and construction of solar power station, the EPC (Engineering, Procurement and Construction) business and sales of photovoltaic mounting and tracking system materials in the PRC.

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

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

Segment assets exclude corporate and other unallocated assets as these assets are managed on a group basis. Included in the corporate and other unallocated assets, there is loan receivables amounted to HK$11,000,000.

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

For the year ended 31 March 2015, the directors of the Company consider that the business of the Group is organised in one operating segment which is operation and management of restaurants and cake shops in Hong Kong. Additional disclosure in relation to segment information is not presented as the directors of the Company assess the performance of the only operating segment identified based on the consistent information as disclosed in the consolidated financial statements. The total net segment income is equivalent to total comprehensive income for the year as shown in the consolidated statement of profit or loss and other comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the consolidated statement of financial position.

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

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

Geographic Information

(a) Revenue from external customers

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**264,505**	254,689
Mainland China	**138,180**	–
	402,685	254,689

(b) Non-current assets

	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**20,713**	27,941
Mainland China	**2,232**	–
	22,945	27,941

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

Information about major customers

For the year ended 31 March 2016, revenue of approximately HK$75,735,000 from a customer in the renewable energy business segment contribute over 10% of the total revenue of the Group.

For the year ended 31 March 2015, there was no revenue from a single customer contributing over 10% of total revenue of the Group by the renewable energy business segment.

For the years ended 31 March 2016 and 2015, there was no revenue from a single customer contributing over 10% of total revenue of the Group by the restaurant operations segment.

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

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Restaurant operations	**264,505**	254,689
Construction contracts	**138,180**	–
	402,685	254,689

4. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Interest income	**358**	95
Forfeited income	**9**	33
Reversal of provision for reinstatement costs	**–**	427
Sponsorship income	**91**	197
Others	**105**	152
	563	904

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expense on promissory note	**785**	–

6. PROFIT BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Cost of food and beverage	**77,794**	71,595
Amortisation of intangible assets	**319**	403
Auditors' remuneration	**1,500**	650
Depreciation	**16,015**	17,086
Lease payments under operating lease in respect of land and buildings:		
Minimum lease payments	**57,673**	49,338
Contingent rents	**1,128**	2,182
	58,801	51,520
Contract costs		
Cost of construction materials and supplies	**100,913**	–
Subcontracting charges	**7,918**	–
Transportation	**2,331**	–
Machine and vehicle rental	**388**	–
Other expenses	**658**	–
	112,208	–
Employee benefits expenses (excluding directors' and chief executive's remuneration):		
Salaries, wages and other benefits	**75,913**	69,437
Retirement benefit scheme contributions	**3,461**	2,864
	79,374	72,301
Write-off of items of property, plant and equipment	**1,229**	1,740
Provision for impairment of other receivables	**–**	16
Loss on disposal of subsidiaries	**484**	–
Reversal of provision for reinstatement costs	**–**	(427)
Foreign exchange differences, net	**(286)**	4
Donation	**600**	–

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profits arising in Hong Kong at a rate of 16.5% (2015: 16.5%) during the year. Enterprise income tax is provided on the estimated taxable profits of the subsidiaries established in the PRC at a rate of 25% during the year.

	2016	2015
	HK$'000	*HK$'000*
Current tax – Hong Kong		
– charge for the year	**1,396**	2,475
– over-provision in prior years	**(20)**	(642)
Current tax – PRC	**5,867**	–
Total tax charge for the year	**7,243**	1,833

8. DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation.

During the year ended 31 March 2015, the Company's certain subsidiaries paid interim dividends of HK$850,000 to their respective non-controlling shareholders.

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

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**5,078**	539

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**400,000**	400,000

For the years ended 31 March 2016 and 2015, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the profit attributable to owners of the Company and (ii) the weighted average number of ordinary shares.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the years ended 31 March 2016 and 2015.

10. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Materials for construction contracts	**42,695**	–
Food and beverage, and other operating items for restaurant operations	**2,765**	2,635
	45,460	2,635

11. GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORKS

	2016	2015
	HK$'000	*HK$'000*
Gross amount due from customers for contract works	**139,159**	–
Contract costs incurred plus recognised profits less recognised losses to date	**140,185**	–
Less: Progress billings received and receivable	**(1,026)**	–
	139,159	–

12. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**1,268**	1,291

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

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

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

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**979**	1,150
Over 1 month but less than 3 months	**85**	87
Over 3 months	**204**	54
	1,268	1,291

13. TRADE PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**52,114**	6,553
Over 1 month but less than 2 months	**1,211**	5
Over 2 months	**484**	3
	53,809	6,561

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

14. OTHER PAYABLES AND ACCRUALS

	2016	2015
	HK$'000	*HK$'000*
Deferred income	**76**	28
Other payables	**3,340**	225
Value-added tax payables	**3,145**	–
Accruals	**10,076**	7,576
Advance from customers for construction contracts	**205,599**	–
Customer deposits	**642**	682
	222,878	8,511

Other payables are non-interest-bearing.

15. ISSUED CAPITAL

	Number of ordinary share of HK$0.01 each	**Nominal value of ordinary shares**
		HK$'000
Authorised:		
At 1 April 2014, 31 March 2015 and 31 March 2016	2,000,000,000	20,000
Issued and fully paid:		
At 1 April 2014, 31 March 2015 and 31 March 2016	400,000,000	4,000

BUSINESS REVIEW

Renewable Energy Business

The Group has commenced a new business segment of renewable energy business in the PRC in the fourth quarter of 2015, which included research and development of solar power technology, operation and construction of solar power station, EPC (Engineering, Procurement and Construction) business and sales of solar mounting and tracking system materials.

In November 2015, the Group set up an indirect wholly-owned subsidiary in Shanghai, namely Tonking New Energy Technology (Shanghai) Limited, to engage in the renewable energy business. The Group has entered into several contracts with independent third parties concerning the renewable energy business during November and December 2015, including 30MW sales and installation order of intelligent tracking photovoltaic mounting brackets and 6MW project order in relation to permitted grid connection of agricultural photovoltaic power station. The Group has further entered into two contracts in February 2016 including (i) a contract with 寧夏寶豐集團有限公司 for the sales and installation of solar tracking system for the entire 700MWp agricultural intelligent photovoltaic power station of 寧夏寶豐集團有限公司 located in Ningxia Hui Autonomous Region, the PRC; and (ii) a contract entered into with Elion Resources Group in Inner Mongolia for the engineering, procurement and construction of a combination project of a 20MWp photovoltaic power station and desert agriculture project inside the grounds of the said power station.

In the period from November 2015 to February 2016, Tonking New Energy Technology (Shanghai) Limited has established five direct wholly-owned subsidiaries, namely Jiang Shan Shi Tong Jing Guang Fu Limited, Jin Zhai Xian Tong Jing New Energy Limited, Horqin Left Back Banner Tong Jing New Energy Limited, Nan Zhang Xian Tong Jing New Energy Limited, and Hong Ze Tong Jing New Energy Limited for the purpose of strengthening the Group's business operation in the renewable energy business.

Jiang Shan Shi Tong Jing Guang Fu Limited

Jiang Shan Shi Tong Jing Guang Fu Limited, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, is principally engaged in the renewable energy business activities concerning research and development of solar power technology, EPC (Engineering, Procurement and Construction) business and sales of photovoltaic mounting and tracking system materials. Its registered address is No. 17-1, Kai Yuan Road, Shan Hai Cooperation Zone, Jiang Shan Economic Development District, Quzhou City, Zhe jiang Province, China.

Jin Zhai Xian Tong Jing New Energy Limited

Jin Zhai Xian Tong Jing New Energy Limited, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, is principally engaged in the renewable energy business activities concerning research and development of solar power technology and agricultural development for the development of agricultural photovoltaic power station project. Its registered address is Xiao Nanjing Village, Mui Shan Town, Jian Zhai Xian, China.

Horqin Left Back Banner Tong Jing New Energy Limited

Horqin Left Back Banner Tong Jing New Energy Limited, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, is principally engaged in the renewable energy business activities concerning solar power technology, research and development of solar power technology and sales of solar power equipment and accessories, and agricultural development for the development of agricultural photovoltaic power station project. Its registered address is Middle Part of Ma La Qin Road, Gan Qi Ka Town, Horqin Left Back Banner, China.

Nan Zhang Xian Tong Jing New Energy Limited

Nan Zhang Xian Tong Jing New Energy Limited, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, is principally engaged in the renewable energy business activities concerning research and development of solar power technology, consultancy services in relation to research and development of solar power technology and operation and construction of solar power stations, and sales of photovoltaic equipment and accessories in relation to the EPC (Engineering, Procurement and Construction) business. Its registered address is No.45, Feng Shan Road, Cheng Guan Town, Nan Zhang Xian, China.

Hong Ze Tong Jing New Energy Limited

Hong Ze Tong Jing New Energy Limited, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, is principally engaged in the renewable energy business activities concerning research and development of solar power technology, consultancy services in relation to research and development of solar power technology and operation and construction of solar power stations, and sales of photovoltaic equipment and accessories in relation to the EPC (Engineering, Procurement and Construction) business. Its registered address is No. 9, Shun Da Road, Xi Shun He Town, Hong Ze Xian, Huai An City, China.

Food and Beverage Business

The Group is a food and beverage group in Hong Kong operating 11 full-service restaurants and 2 cake shops as at 31 March 2016, namely “Inakaya”, “Harlan’s”, “Kaika”, “Mekikinoginji-Okinawa” in Tuen Mun, Causeway Bay, Tsim Sha Tsui, and Mongkok, “Hooray”, “Pearl Delights”, “PHO Hoi An” in Tsim Sha Tsui and San Po Kong, “Harlan’s Cake Shop” and “Carousel” of which some are operated by way of franchising agreement.

During the year ended 31 March 2016, the Group has continued its endeavor to work out the philosophy – “unique dining concepts” through quality dishes accompanied by a pleasant atmosphere and attentive services. The Group continues to explore fresh and high quality food ingredients with reasonable prices to create an unforgettable and unique dining experience. All of our chefs and staff are committed to preparing innovative dishes and executing stringent food quality control.

The Group adopted the diversification strategy by operating fine-dining and casual dining restaurants as well as restaurants in middle-class market to broaden the stream of customers. By launching our fourth restaurant under the Japanese franchise name of "Mekikinoginji-Okinawa" in May 2015, we have increased penetration of our brand in the middle-class market and increased the awareness of our brand among young customers through the splendid menu and unique dishes from Okinawa.

Likewise, the Group desired to put more resources on those potential profit making outlets and to streamline its current restaurant operations. The Group considered it is prudent to close down the outlet which had been suffered from losses and did not operate effectively and profitably. In November 2015, the Group closed down the loss-making café – a la Folie.

Mekikinoginji-Okinawa

The Group operates restaurants under the franchise name of "Mekikinoginji-Okinawa", a famous izakaya chain well known for its creative dishes and contemporary interior design in the Okinawa Prefecture of Japan.

Due to the successful launch of restaurants under the franchise name of "Mekikinoginji-Okinawa" in V city, Tuen Mun, World Trade Centre, Causeway Bay and the ONE, Tsim Sha Tsui, which serve contemporary Japanese cuisine and are frequently patronized by young customers, the Group further opened the fourth restaurant in MOKO, Mongkok in May 2015 under the brand name of "Royal Grill Ginji" in view of the potential demand in prime area. The brand name of "Royal Grill Ginji" was established under the franchise name of "Mekikinoginji-Okinawa".

It is a new concept izakaya restaurant that serves teppanyaki delights together with signature izakaya dishes.

Inakaya

Being one of the few robatayaki Japanese restaurants that is located on the upper floors of one of the tallest buildings in the world, Inakaya has successfully maintained and strengthened its upscale and fine-dining image in Hong Kong. Our executive chef brought in the new Japanese cuisine essence together with traditional style to the restaurant and further established the unique connection between Japan and Hong Kong. Inakaya was included in the world-famous "The MICHELIN GUIDE" (Hong Kong and Macau 2015) with two Fork & Spoon designations representing "comfortable restaurant", and was granted an award from "Hong Kong Tatler Best Restaurants – Hong Kong & Macau Edition 2015".

Harlan's

With an inviting ambience and plush interior design, Harlan's successfully joined the quality wedding merchant scheme held by ESD Services Limited which further demonstrate our strength in providing perfect venue and attentive services for holding wedding banquets and corporate events. Harlan's also received accolades from "Hong Kong Tatler Best Restaurants – Hong Kong and Macau Edition" in 2015, and has maintained its unique position as one of the finest restaurants with splendid view in Tsim Sha Tsui.

Kaika

The Teppanyaki brand has been moving on with enormous momentum which transcended itself from merely a teppanyaki restaurant from Ginza Tokyo. Kaika also received accolades from "Hong Kong Tatler Best Restaurants – Hong Kong and Macau Edition" in 2015. With the completion of the interior renovation in early April 2015, the restaurant captured not only frequent dinners but also new customers with a discerning palate.

Hooray

Acclaimed as the sky garden restaurant, Hooray, with a 12,000 sq. ft. venue, continued to explore new cuisine and dining fashions for the young and trend-setting customers. Hooray has established a sharp image for modern and adventurous cuisine which had been popular among the young clientele. Together with Harlan's, Hooray also successfully joined the quality wedding merchant scheme held by ESD Services Limited.

Pearl Delights

Being a Chinese cuisine restaurant, "Pearl Delights", brings in a new Cantonese cuisine dining concept that focuses on dim sum and Cantonese barbeque meat for its customers in the Shatin District, one of the most populous districts in Hong Kong.

PHO Hoi An

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

Harlan's Cake Shop

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

Carousel

Carousel Fine Cake & Pastries, being a dainty cake shop brimming with sweet delights, is well accepted as an exclusive cake shop that excels in tailor-made cakes. The shop provides a series of delicate pastry at reasonable prices such as such as cakes, macarons, cookies, and is usually frequented by regular customers.

FINANCIAL REVIEW

Revenue

For the financial year ended 31 March 2016, the Group recorded revenue of approximately HK$402,685,000, representing a significant increase of approximately 58% compared with approximately HK$254,689,000, of the corresponding period in 2015. The growth in revenue was mainly attributable to the revenue from renewable energy business that the Group commenced operation in the fourth quarter of 2015. Meanwhile, the food and beverage business also brought a slight increase in revenue for the year ended 31 March 2016.

Cost of food and beverage

The cost of food and beverage for the year ended 31 March 2016 amounted to approximately HK$77,794,000 (2015: approximately HK$71,595,000) which was derived from restaurant operations. Despite rising inflation in the market, the Group was still able to maintain the overall cost margin at a level below 30% of revenue from food and beverage business for the two years ended 31 March 2015 and 2016 respectively, which is a key performance indicator of the overall efficiency and profitability of the restaurant operations.

Contract Costs

The contract costs for the year ended 31 March 2016 was approximately HK$112,208,000 (2015: nil). The costs was derived from the newly commenced renewable energy business which was mainly represented by the cost of construction materials and supplies, subcontracting charges, transportation, machine and vehicle rental expenses.

Staff costs

The staff costs increased by approximately 11% to approximately HK$83,564,000 for the year ended 31 March 2016 (2015: approximately HK$75,607,000). The increase was mainly attributable to the increase in the number of restaurants of the food and beverage business as well as the increase in salaries to attract experienced staff in view of the shortage of labour and high staff turnover rate in the food and beverage industry. The management teams will adopt a more stringent cost control to maintain the staff cost at a reasonably level.

Depreciation and amortisation

Depreciation and amortisation decreased slightly by approximately 7% to approximately HK$16,334,000 for the year ended 31 March 2016 (2015: approximately HK$17,489,000).

Property rentals and related expenses

The property rentals and related expenses for the year ended 31 March 2016 amounted to approximately HK$60,807,000 (2015: approximately HK$53,183,000), representing an increase of approximately 14.3% as compared to the corresponding period in 2015. Such increase was mainly attributable to the rental expenses of newly-opened outlets and the rise in the rent of some existing outlets upon the renewal of tenancy agreements from restaurant operations.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately 13% to approximately HK$33,473,000 for the year ended 31 March 2016 from approximately HK$29,627,000 for the corresponding period in 2015. The increase was mainly derived from the newly-opened outlets from restaurant operations, as well as the commencement of the new business segment of renewable energy business.

Finance costs

Finance costs amounted to approximately HK$785,000 for the year ended 31 March 2016 (2015: nil), which comprised interest expenses derived from the promissory note issued by the Group to an independent third party.

Net profit for the year

The Group recorded profit attributable to owners of the Company of approximately HK$5,078,000 for the year ended 31 March 2016 (2015: approximately HK$539,000). The profit for the year was the proof of the successful diversification strategy adopted by the Group by commencing a new business segment of renewable energy business and high quality of food and satisfactory services of the Group. The profit is partially offset by i) the write-off of the property, plant and equipment from the close of an outlet which is one-off in nature; and ii) drop in profit of some outlets compared to prior year owing to economic downturn and lessen inbound tourism but inflation in operating cost remained high.

FUTURE PROSPECTS

The Group faced challenging operating environment of the restaurant operations business for the year ended 31 March 2016 including downward pressure of the global economy, keen competition, inflation pressure, shortage of labor and political disputes. Despite that, the management strived to overcome the challenges through the diversification strategy by looking for other attractive business to diversify its business areas and to reduce the reliance upon existing food and beverage business.

Renewable Energy Business

The renewable energy business in the PRC is a new business segment of the Group in the fourth quarter of 2015. The new segment will diversify the Group's businesses to reduce the reliance upon existing food and beverage business and broaden its revenue base. In recent years, there has been a rapid increase in demand for renewable energy in the PRC. The Group will continue to devote more resources in this business segment to strengthen the Group's operation in the renewable energy business in the PRC.

Food and Beverage Business

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

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

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

Liquidity, Financial and Capital Resources

Capital structure

As at 31 March 2016, the share capital and equity attributable to owners of the Company amounted to HK$4,000,000 and approximately HK$85,975,000 respectively (2015: HK$4,000,000 and approximately HK$80,410,000 respectively).

Cash Position

As at 31 March 2016, the cash and cash equivalents of the Group amounted to approximately HK$21,991,000 (2015: approximately HK$49,852,000), representing a decrease of approximately 56% as compared to that as at 31 March 2015.

Borrowings

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

Pledge of assets

As at 31 March 2016, the entire issued share capital of Glory Kind Development Limited (a direct wholly-owned subsidiary of the Company) were pledged to secure the issue of a promissory note to an independent third party (2015: nil).

Gearing ratio

As at 31 March 2016, the gearing ratio of the Group was approximately 37% (2015: approximately 3%). The significant increase was mainly attributable to the issuance of promissory note during the year. 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 payables, other payables and accruals, tax payable and provision for reinstatement costs.

Exchange Rate Exposure

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

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

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

Save for the acquisition of certain assets of Jiang Shan Shi Ming Crystal Limited as disclosed in the announcements of the Group dated 3 March 2016 and 1 April 2016 which is disclosed under the section "Events after the Reporting Period" below, 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 2016.

Contingent Liabilities

As at 31 March 2016, the Group had no material contingent liabilities (2015: nil).

Capital Commitment

As at 31 March 2016, the Group had capital commitments of approximately HK$5,404,000 (2015: approximately HK$1,006,000).

Employees and Emolument Policies

The Group had 311 employees (including Directors) as at 31 March 2016 (2015: 285 employees). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses for both the renewable energy and the food and beverage businesses. The remuneration packages are subject to review on a regular basis. The 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 competitiveness, individual performance and achievement, and are approved by the Board.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: nil).

Events after the Reporting Period

On 3 March 2016, Jiang Shan Shi Tong Jing Guang Fu Limited ("Tong Jing"), an indirect wholly-owned subsidiary of the Company, and Jiang Shan Shi Ming Crystal Limited ("Shi Ming") entered into an agreement, pursuant to which Tong Jing had conditionally agreed to acquire and Shi Ming had conditionally agreed to sell equipment and furniture at the consideration of approximately RMB4,073,000 (equivalent to approximately HK$4,888,000). The transaction was completed on 1 April 2016.

The Directors are not aware of any other significant event requiring disclosure that has taken place subsequent to 31 March 2016 and up to the date of this announcement.

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 2016, the Company has complied with all the applicable code provisions of the Code contained in Appendix 15 to the GEM Listing Rules.

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 2016.

PURCHASE, SALE OR REDEMPTION OF SHARES

There were no purchases, sales or redemptions of the Company's listed securities by the Company nor any of its subsidiaries during the year ended 31 March 2016.

REVIEW BY AUDIT COMMITTEE

The Company has established an audit committee with its terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the Code. The audit committee has three members comprising the three independent non-executive Directors, namely Ms. Au Man Yi, Ms. Wang Xiaoxiong and Mr. Pao Ping Wing. The chairman of the audit committee is Ms. Au Man Yi. The audit committee of the Company has reviewed the audited annual results of the Group for the year ended 31 March 2016.

SCOPE OF WORK OF AUDITORS

The figures in respect of this announcement of the Group's results for the year ended 31 March 2016 have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited ("HLB"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2016. The work performed by HLB in this respect did not constitute as assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by HLB on this announcement.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting ("AGM") of the Company will be held on 29 July 2016 (Friday), at 4:00 p.m., at Harlan's, 19th Floor, The ONE, 100 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong.

For determining entitlement to attend the forthcoming AGM, the register of members of the Company will be closed from 28 July 2016 (Thursday) to 29 July 2016 (Friday), both days inclusive, during which period no transfer of shares will be registered. The record date will be 29 July 2016 (Friday). In order to qualify for attending the forthcoming AGM all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong before 4:30 p.m. on 27 July 2016 (Wednesday).

PUBLICATION OF 2016 ANNUAL REPORT

The 2016 annual report of the Company containing all the information required by the GEM Listing Rules will be despatched to the shareholders of the Company and will also be published on the website of the Company at http://www.tonkinggroup.com.hk and the "HKExnews" website of the Stock Exchange at http://www.hkexnews.hk.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates, lawyers, compliance adviser and auditors for their support throughout the year.

By order of the Board
Tonking New Energy Group Holdings Limited
Wu Kai Char
Chairman and Executive Director

Hong Kong, 22 June 2016

As at the date of this announcement, the executive Directors are Mr. Wu Kai Char, Ms. Wong Wai Ling, Ms. Shen Meng Hong, Mr. Wu Jian Nong and Mr. Xu Shui Sheng; and the independent non-executive Directors are Ms. Au Man Yi, Mr. Pao Ping Wing and Ms. Wang Xiaoxiong.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the Stock Exchange's website (www.hkexnews.hk) for 7 days from the date of its posting and will also be published on the Company's website (www.tonkinggroup.com.hk).