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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)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

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 2022, together with the comparative figures for the year ended 31 March 2021 as follows:

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	240,524	198,596
Costs of sales		(196,124)	(177,614)
Gross profit		44,400	20,982
Other income and gains, net	4	3,300	1,950
Provision for credit loss allowances on trade receivables, net		(7,958)	(334)
Provision for credit loss allowances on other receivables		(734)	–
(Provision for)/reversal of credit loss allowances on contract assets, net		(104)	666
Administrative and other operating expenses		(30,774)	(27,890)
Finance costs	5	(3,187)	(2,688)
Profit/(loss) before income tax	6	4,943	(7,314)
Income tax credit	7	1,627	63
Profit/(loss) for the year		6,570	(7,251)
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		11,727	22,048
Other comprehensive income for the year, net of income tax		11,727	22,048
Total comprehensive income for the year		18,297	14,797

	2022	2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year attributable to:		
Owners of the Company	5,497	(8,630)
Non-controlling interests	1,073	1,379
	<u>6,570</u>	<u>(7,251)</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	16,310	11,681
Non-controlling interests	1,987	3,116
	<u>18,297</u>	<u>14,797</u>
Earnings/(loss) per share attributable to the owners of the Company		
– Basic and diluted (<i>HK cents</i>)	<i>9</i> <u>0.67</u>	<u>(1.06)</u>

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		38,328	38,872
Right-of-use assets		5,745	133
Intangible assets		4,960	5,634
Deferred tax assets		2,367	–
		<u>51,400</u>	<u>44,639</u>
Current assets			
Inventories		13,796	11,158
Trade and bills receivables	10	208,380	254,450
Prepayments, deposits and other receivables		68,662	28,090
Contract assets		37,848	19,102
Amounts due from related parties		284	15
Restricted bank deposits		8,237	4,232
Cash and cash equivalents		34,582	20,196
		<u>371,789</u>	<u>337,243</u>
Current liabilities			
Trade and bills payables	11	53,029	51,588
Other payables and accruals		13,401	5,027
Matured promissory note		44,664	43,224
Contract liabilities		5,259	6,599
Amounts due to related parties		11,010	11,197
Bank borrowings		40,761	28,233
Lease liabilities		33	–
Tax payable		848	25
		<u>169,005</u>	<u>145,893</u>
Net current assets		<u>202,784</u>	<u>191,350</u>
Total assets less current liabilities		<u>254,184</u>	<u>235,989</u>

	<i>Notes</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		<u>2,328</u>	<u>–</u>
Net assets		<u>251,856</u>	<u>235,989</u>
Equity			
Share capital	<i>12</i>	8,180	8,180
Reserves		<u>221,448</u>	<u>205,138</u>
Equity attributable to the owners of the Company		229,628	213,318
Non-controlling interests		<u>22,228</u>	<u>22,671</u>
Total equity		<u>251,856</u>	<u>235,989</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Tonking New Energy Group Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 21 June 2013 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, the 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 Company is an investment holding company. Its operating subsidiaries are engaged in renewable energy business in the People’s Republic of China (the “PRC”). The Company and its subsidiaries are collectively referred to as the “Group”.

The consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements also comply with the applicable disclosures provisions of the Rules Governing the Listing Securities on GEM of Stock Exchange (the “GEM Listing Rules”).

The consolidated financial statements have been prepared on the historical cost basis, except for the bills receivables at fair value through other comprehensive income and wealth management products at fair value through profit or loss which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the consolidated financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Application of amendments to HKFRSs effective from 1 April 2021

In the preparation of the consolidated financial statements for the year ended 31 March 2022, the Group has applied the following amendments to HKFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021:

Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions Beyond 30 June 2021</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>

The application of the amendments to HKFRSs in the current year has 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.

3. SEGMENT INFORMATION AND REVENUE

For the purposes of assessing performance and allocating resources, the Group's operation is regarded as 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); (ii) sales of the patented photovoltaic tracking mounting bracket systems; and (iii) sales of electricity. The executive directors of the Company review the profit/(loss) for the year of the Group as a whole. Accordingly, no segment information is presented other than below:

Geographical information

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 revenue of the Group are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	51,097	N/A ¹
Customer B	35,432	N/A ¹
Customer C	34,962	N/A ¹
Customer D	29,581	N/A ¹
Customer E	N/A ¹	43,390
Customer F	N/A ¹	21,900

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group

An analysis of revenue is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers		
Sales of the patented photovoltaic tracking mounting bracket systems	193,544	168,350
Provision of one-stop value added solution for photovoltaic power stations	39,062	22,504
Sales of electricity	7,918	7,742
	<u>240,524</u>	<u>198,596</u>

4. OTHER INCOME AND GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government subsidies (<i>Note</i>)	2,190	158
Investment income from wealth management products	528	493
Bank interest income	224	602
Gain on disposal of property, plant and equipment	47	–
Others	311	697
	<u>3,300</u>	<u>1,950</u>

Note: During the years ended the 31 March 2022 and 2021, the Group received the government subsidies in regarding to encourage renewable energy business development in the PRC. There are no unfulfilled conditions or other contingencies attached to these subsidies for both years.

5. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expense on bank borrowings	1,609	1,242
Interest expense on promissory note	1,440	1,440
Interest expense on lease liabilities	138	6
	<u>3,187</u>	<u>2,688</u>

6. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax has been arrived at after charging/(crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Directors' remuneration	2,273	1,898
Other staff costs		
– Salaries, wages, fees and other benefits	27,854	19,463
– Retirement benefit scheme contributions	1,435	446
	<u>31,562</u>	<u>21,807</u>
Auditor's remuneration	700	750
Amortisation of intangible assets	891	932
Depreciation of:		
– Property, plant and equipment	2,885	2,817
– Right-of-use assets	468	354
Short-term leases expenses		
– Premises	18	83
– Machinery, motor vehicles and other equipment	2,533	2,417
Cost of inventories recognised as expenses	169,567	152,577
Research and development expenditure	10,915	4,661
Provision for credit loss allowances on trade receivables, net	7,958	334
Provision for credit loss allowances on other receivables	734	–
Provision for/(reversal of) credit loss allowances on contract assets, net	104	(666)
(Gain)/loss on disposal of property, plant and equipment	(47)	161
Foreign exchange differences, net	48	47
	<u>700</u>	<u>750</u>

7. INCOME TAX CREDIT

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The PRC Enterprise Income Tax		
– Current year	1,445	(63)
– Over-provision in prior years	(744)	–
	<u>701</u>	<u>(63)</u>
Deferred tax	(2,328)	–
	<u>(1,627)</u>	<u>(63)</u>

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share attributable to the owners of the Company is based on the following data:

	2022	2021
Profit/(loss)		
Profit/(loss) for the year attributable to the owners of the Company for the purpose of basic earnings/(loss) per share <i>(in HK\$'000)</i>	<u>5,497</u>	<u>(8,630)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>818,000,000</u>	<u>818,000,000</u>

There were no dilutive potential ordinary shares in issue for the year ended 31 March 2022 (2021: Nil).

10. TRADE AND BILLS RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables, gross	200,200	165,854
Less: Provision for credit loss allowances on trade receivables	<u>(9,466)</u>	<u>(1,322)</u>
Trade receivables, net	190,734	164,532
Bills receivables	<u>17,646</u>	<u>89,918</u>
Total trade and bills receivables, net	<u>208,380</u>	<u>254,450</u>

The Group granted a credit period from 30 to 90 days (2021: 30 to 90 days) to customers for sales of the patented photovoltaic tracking mounting bracket systems and provision of one-stop value added solution for photovoltaic power stations, while no credit period was granted to the stated-owned grid companies in relation to sales of electricity (2021: Nil). The Group does not hold any collateral in relation to these receivables.

Included in the Group's trade receivables were tariff subsidy receivables amounting to approximately Renminbi ("RMB") 23,400,000 (equivalent to approximately HK\$28,903,000) (2021: RMB21,720,000 (equivalent to approximately HK\$25,766,000)) which represented the government subsidies on renewable energy projects to be received from the stated-owned grid companies. The tariff subsidy receivables will be settled upon the Ministry of Finance's (the "MoF") allocation of the national renewable energy fund to the state-owned grid companies. The MoF does not set out a rigid timetable for the settlement of tariff subsidy receivables. In the opinion of the directors, given the collection of tariff subsidy receivables is well supported by the government policy, all tariff subsidy receivables were expected to be fully recoverable. As the collection of tariff subsidy receivables is expected in the normal operating cycle, they are classified as current assets.

Included in trade receivables of approximately HK\$72,742,000 was unbilled and has been classified under '0-30 days' in the below ageing analysis, the ageing analysis of trade and bills receivables, net of provision for credit loss allowances, by invoice date at year end is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0-30 days	91,970	102,573
31-90 days	15,854	44,436
91-180 days	25,721	51,979
181-365 days	43,512	34,473
Over 365 days	31,323	20,989
	208,380	254,450

11. TRADE AND BILLS PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	34,821	19,749
Bills payables	18,208	31,839
	53,029	51,588

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0-30 days	15,267	20,598
31-90 days	14,687	12,399
91-180 days	5,104	16,924
181-365 days	15,960	158
Over 365 days	2,011	1,509
	<u>53,029</u>	<u>51,588</u>

The trade payables are non-interest-bearing and generally have payment terms of 30 to 90 days (2021: 30 to 90 days).

12. SHARE CAPITAL

Ordinary shares of HK\$0.01 each	Number of ordinary share	Share capital <i>HK\$'000</i>
Authorised		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	<u>818,000,000</u>	<u>8,180</u>

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 2022, Tonking New Energy Technology (Shanghai) Limited* (同景新能源科技(上海)有限公司) has 2 wholly-owned subsidiaries, namely, Tonking New Energy Technology (Jiangshan) Limited* (同景新能源科技(江山)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 1 non-wholly-owned holding company, 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\$240,524,000 (2021: approximately HK\$198,596,000), 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 733.23MW.

During the reporting period, new contracts were signed:

- (1) On 15 April 2021, Tonking New Energy (Jiangshan) Limited and Xi'an Longji Clean Energy Co., Ltd.* (西安隆基清潔能源有限公司) entered into a project in relation to the 200MW photovoltaic power generation in Binggou, Xingqing District, Yinchuan City and an adjustable project of Longji in Binggou, Yinchuan City;
- (2) On 15 April 2021, Tonking New Energy (Jiangshan) Limited and Xi'an Longji Green Energy Photovoltaic Engineering Co., Ltd.* (西安隆基綠能光伏工程有限公司) entered into a project in relation to the photovoltaic power generation in Hailuo, Jining;
- (3) On 11 May 2021, Tonking New Energy (Jiangshan) Limited and Daqing Huanghe Guangchu Demonstration Research Co., Ltd.* (大慶黃和光儲實證研究有限公司) entered into the Daqing Base Program;
- (4) On 3 June 2021, Tonking New Energy (Jiangshan) Limited and China Datang Group Technology Engineering Co., Ltd.* (中國大唐集團科技工程有限公司) entered into the Datang Huayin Program;

- (5) On 15 July 2021, Tonking New Energy (Jiangshan) Limited and Sungrow New Energy Development Co., Ltd.* (陽光新能源開發有限公司) entered into the Photovoltaic Program in Longjiang County of Qiqihar City, Heilongjiang;
- (6) On 8 August 2021, Tonking New Energy (Jiangshan) Limited and Sichuan Haoneng New Energy Co., Ltd.* (四川浩能新能源有限公司) entered into the Talesun Hongsibao Photovoltaic Project;
- (7) On 23 October 2021, Tonking New Energy (Jiangshan) Limited and Sungrow New Energy Development Co., Ltd.* (陽光新能源開發股份有限公司) entered into the 150MW Shuoyang Project in Zhaixia town, Yichun;
- (8) On 27 November 2021, Tonking New Energy (Jiangshan) Limited and Sungrow New Energy Development Co., Ltd.* (陽光新能源開發股份有限公司) entered into the Qingyang New Energy Project in relation to 200,000KW photovoltaic power generation in Baishui County;
- (9) On 24 January 2022, Tonking New Energy (Jiangshan) Limited and Xi'an Longji Clean Energy Co., Ltd.* (西安隆基清潔能源有限公司) entered into the first batch of photovoltaic power generation project under "14th Five-Year Plan" in Yongjing County;
- (10) On 14 January 2022, Tonking New Energy (Jiangshan) Limited and China Nuclear Industry 23 Construction Co., Ltd entered into the 100MW Photovoltaic Power Grid Parity Project in Jiangping Town, Dongxing City, Guangxi;
- (11) On 22 February 2022, Tonking New Energy (Jiangshan) Limited and China Nuclear Industry 23 Construction Co., Ltd entered into the 50MWp Photovoltaic Power Station Project in Hengfeng, Qinzhou City, Guangxi;
- (12) On 20 February 2022, Tonking New Energy (Jiangshan) Limited and Suzhou Artes New Energy Development Co., Ltd.* (蘇州阿特斯新能源發展股份有限公司) entered into the flat uniaxial tracking mounting bracket system for 50MW photovoltaic power station project in Zhuomao, Dunhuang City;
- (13) On 16 March 2022, Tonking New Energy (Jiangshan) Limited and China Resources Wind Power (Guazhou) Co., Ltd entered into the 50MW Photovoltaic Project in China Resources Power Gansu Guazhou Bridge Bay Scenery;

- (14) On 7 March 2022, Tonking New Energy (Jiangshan) Limited and Baiyun Mingde (Beijing) International Engineering Management Co., Ltd.* (白雲明德(北京)國際工程管理有限公司) entered into the 100MW Phrase I Project and 100MW Phrase II Project in Kangbao Ranch Regeneration and Renewable Energy Demonstration Base; and
- (15) On 31 March 2022, Tonking New Energy (Jiangshan) Limited and Shanxi Guochang New Energy Co., Ltd.* (山西國昶新能源有限公司) entered into the photovoltaic forerunner 50MW photovoltaic power generation platform project in Yangquan of Luan Group.

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 goal 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.

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

In order to stabilize the Group's market share in bracket products and maintain the market competitiveness of the products, the Group 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 for 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.

The Group has designed and developed a floating solar photovoltaic power generation system suitable for the water surface with freezing period, and studied a new bracket system that adopts EPS foam filled floating body wrapped in aluminum-magnesium alloy for its buoyancy base, aluminum alloy or stainless steel for the structure in contact with the water surface, and hot-dip galvanized or galvanized aluminum-magnesium steel for the structure not in contact with the water surface. At the same time, by summarizing the experience in the long-term development and construction process, the Group has researched and developed a floating solar photovoltaic power generation system suitable for the freezing period, which uses different materials according to the actual use environment of the bracket.

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, designed and developed a floating photovoltaic bracket on the sea surface, and studied the use of materials resistant to complex environmental conditions including weather-resistant and acid/alkali-resistant to create photovoltaic brackets that can meet the needs of the complex environment on the sea surface. At the same time, the Group has adopted a mode of module installation that can adapt to the complex conditions of the sea surface, with a view to pushing the existing photovoltaic projects towards the sea surface.

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!

FINANCIAL REVIEW

Revenue

For the financial year ended 31 March 2022, the Group recorded revenue of approximately HK\$240,524,000, representing an increase of approximately 21% compared with approximately HK\$198,596,000 of the corresponding period in 2021.

Costs of sales

The costs of sales for the year ended 31 March 2022 was approximately HK\$196,124,000 (2021: approximately HK\$177,614,000). 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 increased by approximately 10% to approximately HK\$30,774,000 for the year ended 31 March 2022 from approximately HK\$27,890,000 for the corresponding period in 2021. The increase was mainly due to the increase in the business activities during the year.

Of which:

1. Staff costs

The staff costs increased by approximately 21% to approximately HK\$8,858,000 for the year ended 31 March 2022 (2021: approximately HK\$7,347,000).

2. Depreciation and amortisation

Depreciation and amortisation increased by approximately 9% to approximately HK\$1,343,000 for the year ended 31 March 2022 (2021: approximately HK\$1,228,000).

Net profit/loss

For the year ended 31 March 2022, the Group recorded a profit attributable to the owners of the Company of approximately HK\$5,497,000 (for the year ended 31 March 2021: a loss of approximately HK\$8,630,000).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 31 March 2022, the total number of issued shares of the Company is 818,000,000.

As at 31 March 2022, the share capital and equity attributable to the owners of the Company amounted to HK\$8,180,000 and approximately HK\$229,628,000 respectively (2021: HK\$8,180,000 and approximately HK\$213,318,000 respectively).

Cash position

As at 31 March 2022, the cash and cash equivalents and restricted bank deposits of the Group amounted to approximately HK\$34,582,000 (2021: approximately HK\$20,196,000) and HK\$8,237,000 (2021: approximately HK\$4,232,000), respectively, representing an increase of approximately 75% in aggregate as compared to that as at 31 March 2021.

Bank borrowings

During the year, the Group has borrowed short-term bank loans amounted to approximately HK\$40,761,000 (2021: approximately HK\$28,233,000) which bear effective interest rates of 5.5% (2021: 5.5%) per annum.

Gearing ratio

As at 31 March 2022, the gearing ratio of the Group was approximately 28% (2021: approximately 26%). The gearing ratio is calculated based on the total debt at the end of the year divided by the total debt plus total equity at the end of the respective year. Total debt represents all liabilities excluding trade and bills payables, other payables and accruals, contract liabilities 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.

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 2022.

Contingent Liabilities

As at 31 March 2022, the Group had no material contingent liabilities (2021: Nil).

Capital Commitment

As at 31 March 2022, the Group had no material capital commitments (2021: Nil).

Employees and Emolument Policies

The Group had 99 employees (including Directors) as at 31 March 2022 (2021: 97 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.

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

The Group's credit risk is primarily attributable to contract assets, trade and bills receivables, other receivables and refundable deposits, amounts due from related parties, restricted bank deposits and cash and cash equivalents.

Interest rate risk

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

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.

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 2022 will be published on the respective websites of the Stock Exchange and the Company on or before 30 September 2022.

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 2022, 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 2022 is set out in the section headed “Five Years’ Financial Summary” of the annual report.

CORPORATE GOVERNANCE PRACTICES

The Group’s corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (version up to 31 December 2021) (the “Code”) as set out in Appendix 15 to the GEM Listing Rules.

During the year ended 31 March 2022, 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.

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 2022.

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 2022 and up to the date of this annual report.

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 2022, 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 (<i>note</i>)	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 2022, 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 2022 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 (<i>Note 1</i>)	Beneficial owner	224,380,000	27.43%
Victory Stand (<i>Note 2</i>)	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 2022, 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.

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 2022.

AUDIT COMMITTEE

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 Mr. Yuan Jiangang, Ms. Wang Xiaoxiong and Mr. Zhou Yuan. The chairman of the audit committee is Mr. Yuan Jiangang. The audit committee of the Company has reviewed the audited annual results of the Group for the year ended 31 March 2022.

SCOPE OF WORK OF AUDITORS

The figures in respect of the Group's consolidated statement of financial position as at 31 March 2022 and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary announcement of the Group have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an 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 opinion or assurance conclusion has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

PUBLICATION OF 2022 ANNUAL REPORT

The 2022 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 and auditors for their support during the year.

By Order of the Board
Tonking New Energy Group Holdings Limited
Mr. Wu Jian Nong
*Executive Director, Chairman of the Board
and Chief Executive Officer*

Hong Kong, 28 June 2022

As at the date of this announcement, the executive Directors are Mr. Wu Jian Nong, Ms. Shen Meng Hong and Mr. Xu Shui Sheng; and the independent non-executive Directors are Mr. Yuan Jiangang, Ms. Wang Xiaoxiong and Mr. Zhou Yuan.

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 Listed Company Information" 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).

* For identification purpose only