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)

2023

ANNUAL REPORT

* For identification purpose only

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 report, 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 report 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 report misleading.

Contents

Corporate Information

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

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

Company Secretary
Mr. Yuen Poi Lam William

Compliance Officer
Ms. Shen Meng Hong

Authorised Representatives
Ms. Shen Meng Hong
Mr. Yuen Poi Lam William

Audit Committee
Mr. Yuan Jiangang *(Chairman)*
Ms. Wang Xiaoxiong
Mr. Zhou Yuan

Remuneration Committee
Mr. Zhou Yuan *(Chairman)*
Mr. Yuan Jiangang
Ms. Wang Xiaoxiong

Nomination Committee
Ms. Wang Xiaoxiong *(Chairman)*
Ms. Shen Meng Hong
Mr. Zhou Yuan

Compliance Committee
Ms. Shen Meng Hong *(Chairman)*
Ms. Wang Xiaoxiong
Mr. Zhou Yuan

Registered Office
Windward 3,
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Head Office and Principal Place of Business in Hong Kong
Room 701, 7th Floor
Peninsula Centre
67 Mody Road
Tsimshatsui, Kowloon
Hong Kong

Principal Share Registrar and Transfer Office
Ocorian Trust (Cayman) Ltd.
Windward 3,
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Principal Banker
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Merchants Bank Company Limited

Auditor
Moore Stephens CPA Limited
Registered Public Interest Entity Auditor
801-806 Slivercord, Tower 1
30 Canton Road, Tsimshatsui
Kowloon
Hong Kong

Legal Adviser
As to Hong Kong law:
Li & Partners

Stock Code
8326

Company's Website
www.tonkinggroup.com.hk

Chairman's Statement

Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the board of directors (the "Board"), I am pleased to present the annual report of Tonking New Energy Group Holdings Limited (the "Company", together with its subsidiaries the "Group") for the year ended 31 March 2023.

The Group recorded revenue of approximately HK$689.0 million for the year ended 31 March 2023, representing an increase of approximately 186% compared with approximately HK$240.5 million of the corresponding year in 2022. The Group recorded a profit attributable to the owners of the Company of approximately HK$27.6 million for the year ended 31 March 2023, representing an increase of approximately 403% compared with the profit of approximately HK$5.5 million of the corresponding year in 2022. During the year, the total contracted installed capacity of Group was 1,167.77MW.

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. The Group has developed adaptable steel cable brackets, with the characteristics of wide-span, multi-span, high headroom, multi-scenario, high-capacity, and low steel consumption for projects in special scenarios, such as mountain areas with steep slopes, and industrial and commercial plants.

The proposal of the targets of hitting peak carbon dioxide emissions before 2030 and achieving carbon neutrality before 2060, forecasts the arrival of the new energy era with solar photovoltaic power generation as the main driving force. While constantly innovating, the Group strives to bring the most visible benefits and the most decent services to users. The Group has been adhering to the core values of "with Tonking New Energy, we create and share 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.

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

Wu Jian Nong
Chairman

Hong Kong, 26 June 2023

Management
Discussion and Analysis

Management Discussion and Analysis

BUSINESS REVIEW AND FUTURE PROSPECTS

Renewable Energy Business

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

As of 31 March 2023, 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$688,965,000 (2022: approximately HK$240,524,000), 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 1,167.77MW.

During the reporting period, new contracts were signed:

(1) In April 2022, 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 Photovoltaic Power Generation Project in Datang Huaibei Wugou Coal Mining Subsidence Area

(2) In April 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 Kangbao Mounting Bracket Project (supplemental order)

(3) In May 2022, Tonking New Energy (Jiangshan) Limited and China Energy Engineering Group Tianjin Electric Power Construction Co., Ltd.*（中國能源建設集團天津電力建設有限公司）entered into the Ningdu Photovoltaic Project at the Jiangxi Electric Power Fenyi Power Plant

(4) In May 2022, Tonking New Energy (Jiangshan) Limited and Guangxi Shengjun Trading Co., Ltd.*（廣西昇俊貿易有限公司）entered into the 100MW Photovoltaic Power Generation Project in Nachen Town, Liangqing District, Guangxi

(5) In May 2022, Tonking New Energy (Jiangshan) Limited and Zhonghe Huatai Construction Co., Ltd.*（中核華泰建設有限公司）entered into the Fishery and Photovoltaic Complementary Photovoltaic Power Generation Project in Qibu Town, Wanning County

(6) In May 2022, Tonking New Energy (Jiangshan) Limited and Jiangshan Electric Power Development Co., Ltd.*（江山市電力發展有限責任公司）entered into the Rooftop Project in relation to Qibang Door Industry（旗邦門業）

(7) In June 2022, Tonking New Energy (Jiangshan) Limited and Guangxi Shengjun Trading Co., Ltd.*（廣西昇俊貿易有限公司）entered into the Photovoltaic Power Generation Project in Nachen Town, Liangqing District, Guangxi (supplemental order)

(8) In June 2022, Tonking New Energy (Jiangshan) Limited and Gansu Yanwei New Energy Co., Ltd.*（甘肅顏偉新能源有限公司）entered into the Intelligent Agricultural and Photovoltaic Complementary Photovoltaic Power Generation Project in Ganzhou District

* *For identification purposes only*

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND FUTURE PROSPECTS (continued)

Renewable Energy Business (continued)

(9) In June 2022, 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 Sungrow New Energy Tracking Bracket Project in Xuancheng

(10) In June 2022, Tonking New Energy (Jiangshan) Limited and Jiangshan Power Development Co., Ltd.*（江山市電力發展有限責任公司）entered into the Rooftop Phase II Project of Kaiyang Wood

(11) In June 2022, Tonking New Energy (Jiangshan) Limited and Jiangshan Power Development Co., Ltd.*（江山市電力發展有限責任公司）entered into the Jinkai Technology Distributed Photovoltaic Project in Jiangshan, Quzhou City

(12) In June 2022, Tonking New Energy (Jiangshan) Limited and Kaihua Dianyou Electrical Engineering Co., Ltd.*（開化電友電氣工程有限公司）entered into the Rooftop Distributed Photovoltaic Power Generation Project of Zhejiang Jingma Machinery Co., Ltd.*（浙江精瑪機械有限公司）in Kaihua County, Quzhou City

(13) In June 2022, Tonking New Energy (Jiangshan) Limited and Longyou Zelong Power Engineering Co., Ltd.*（龍游澤龍電力工程有限公司）entered into the Fishery and Photovoltaic Complementary Project in Donjin Village, Huzhen Town, Longyou County

(14) In June 2022, Tonking New Energy (Jiangshan) Limited and China Resources Wind Power (Guangshui) Co., Ltd.*（華潤風電（廣水）有限公司）entered into the Photovoltaic Site Construction for the Phase I Photovoltaic Project of Wind and Solar Power Storage Integration of China Resources in Xiaochang

(15) In September 2022, Tonking New Energy (Jiangshan) Limited and Guangxi Shengjun Trading Co., Ltd.*（廣西昇俊貿易有限公司）entered into the Baiji 50MW Mounting Bracket Project of Guangxi Construction Engineering Group No.2 Installation Construction Co., Ltd.

(16) In September 2022, Tonking New Energy (Jiangshan) Limited and the Joint-stock Economic Cooperative of Shangxi Village, Tanshi Town, Jiangshan City, Zhejiang Province*（浙江省江山市壇石鎮上溪村股份經濟合作社）entered into the Photovoltaic Project in Shangxi Village, Tanshi Town, Jiangshan City

(17) In September 2022, Tonking New Energy (Jiangshan) Limited and Zhejiang Hengchang Industrial Group Co. Ltd.*（浙江恒昌實業集團有限公司）entered into the Hengchang 1,188KW Rooftop Project

(18) In September 2022, Tonking New Energy (Jiangshan) Limited and Longyou Zelong Power Engineering Co., Ltd.*（龍游澤龍電力工程有限公司）entered into the Power Station Project in Huzhen Town, Longyou County

(19) In October 2022, Tonking New Energy (Shanghai) Limited and Huanghe Xinye Co., Ltd.*（黃河鑫業有限公司）entered into the Shandan Phase I Bracket Sales Project

(20) In October 2022, Tonking New Energy (Jiangshan) Limited and Guangxi Shengjun Trading Co., Ltd.*（廣西昇俊貿易有限公司）entered into the New Baiji Mounting Bracket Project of Guangxi Construction Engineering Group No.2 Installation Construction Co., Ltd. (for special terrain)

* *For identification purposes only*

BUSINESS REVIEW AND FUTURE PROSPECTS (continued)

Renewable Energy Business (continued)

(21) In October 2022, Tonking New Energy (Jiangshan) Limited and Longyou Zelong Power Engineering Co., Ltd.*（龍游澤龍電力工程有限公司）entered into the 7 MW Fishery and Photovoltaic Complementary Project in Tongcun Village, Huzhen Town, Longyou County

(22) In November 2022, Tonking New Energy (Jiangshan) Limited and Guangxi Construction Engineering Group No.2 Installation Construction Co., Ltd.*（廣西建工集團第二安裝建設有限公司）entered into the Dongfeng Liuzhou Motor Carport Bracket Project of Guangxi Construction Engineering Group No.2 Installation Construction Co., Ltd. in Liuzhou

(23) In November 2022, Tonking New Energy (Jiangshan) Limited and Jiangshan Jiangneng Photovoltaic Technology Co., Ltd.*（江山市江能光伏科技有限公司）entered into the Multiple-packaging Rooftop Project of 0.25MW Photovoltaic Power Generation in Zhejiang

(24) In December 2022, 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 100MW Project of Diyang Yangxian Township in Xuancheng

(25) In December 2022, Tonking New Energy (Jiangshan) Limited and Jiangsu SUMEC Electricity Co., Ltd*（江蘇蘇美達電力運營有限公司）entered into the 100Mwp Photovoltaic Project of Solar Power Storage Integration in Xinyu

(26) In December 2022, Tonking New Energy (Shanghai) Limited and Jiangsu SUMEC Electricity Co., Ltd*（江蘇蘇美達電力運營有限公司）entered into the Supplemental 100Mwp Photovoltaic Project of Solar Power Storage Integration in Xinyu

(27) In December 2022, Tonking New Energy (Jiangshan) Limited and Jiangxi Ruisen Electric Power Construction Co., Ltd.*（江西省瑞森電力建設有限公司）entered into the EPC Installation and Construction Project in relation to the Jiangxi Longyuan New Energy Photovoltaic Power Generation Project in Shangyou County, Jiangxi Province

(28) In December 2022, Tonking New Energy (Jiangshan) Limited and Jingdezhen Shengjie Power Construction Co., Ltd.*（景德鎮聖傑電力建設有限公司）entered into the Carport 491.7kw Decentralized Photovoltaic Power Generation Project in Leping, Jiangxi Province

(29) In December 2022, Tonking New Energy (Jiangshan) Limited and Jingdezhen Shengjie Power Construction Co., Ltd.*（景德鎮聖傑電力建設有限公司）entered into the Rooftop Decentralized Photovoltaic Power Generation Project of Guoneng New Energy Industry Co., Ltd. Yugan Branch*（國能新能源產業有限公司余幹分公司）in Leping

(30) In December 2022, Tonking New Energy (Jiangshan) Limited and Jiangshan Electric Power Development Co., Ltd.*（江山市電力發展有限責任公司）entered into the Kaiyang Phase III and II Project

* *For identification purposes only*

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND FUTURE PROSPECTS (continued)

Renewable Energy Business (continued)

(31) In February 2023, Tonking New Energy (Jiangshan) Limited and Guangxi Shengjun Trading Co., Ltd.*（廣西昇俊貿易有限公司）entered into the Baiji 30MW Mounting Bracket Project of Guangxi Construction Engineering Group No.2 Installation Construction Co., Ltd.

(32) In February 2023, Tonking New Energy (Jiangshan) Limited and Guangxi Shengjun Trading Co., Ltd.*（廣西昇俊貿易有限公司）entered into the Baiji 7680 Preburied Sleeve Project of Guangxi Construction Engineering Group No.2 Installation Construction Co., Ltd.

(33) In February 2023, Tonking New Energy (Jiangshan) Limited and Guangxi Shengjun Trading Co., Ltd.*（廣西昇俊貿易有限公司）entered into the Liangqing 200 Mounting Bracket Project of Guangxi Construction Engineering Group No.2 Installation Construction Co., Ltd.

(34) In February 2023, 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 100MW Project of Diyang Yangxian Township in Xuancheng (Phase II)

(35) In February 2023, Tonking New Energy (Jiangshan) Limited and Yang Solar Pte. Ltd. entered into the Singapore SAF Yacht Club Project

(36) In February 2023, Tonking New Energy (Jiangshan) Limited and Yang Solar Pte. Ltd. entered into the Rooftop Distributed Photovoltaic Project for Warehouses of Fuhua in Singapore

(37) In March 2023, Tonking New Energy (Jiangshan) Limited and Jiangsu Beiwei Power Equipment Co., Ltd.*（江蘇北緯電力設備有限公司）entered into the 51,200 kW Photovoltaic Project of New Energy Rural Revitalization in Jiaohe

(38) In March 2023, Tonking New Energy (Jiangshan) Limited and Jiangxi Yanmin Trading Co., Ltd.*（江西省彥旻貿易有限公司）entered into the 100MW Agriculture (Forestry) and Photovoltaic Complementary Photovoltaic Power Generation Project of SPIC in Hanfang Town, Ganxian District

(39) In March 2023, Tonking New Energy (Jiangshan) Limited and Longyou Zelong Power Engineering Co., Ltd.*（龍游澤龍電力工程有限公司）entered into the Electrical and Reinforcement Works for the Photovoltaic Power Generation Project (Phase I) of Longyou Yili Dairy Co., Ltd.*（龍游伊利乳業有限責任公司）

(40) In March 2023, Tonking New Energy (Jiangshan) Limited and SPIC Jiangxi Electric Power Co., Ltd.*（國家電投集團江西電力有限公司）entered into the Modification Construction of Tracking System Mounting for Photovoltaic Power Plants in Longkou, Leping

Management Discussion and Analysis (continued)

BUSINESS REVIEW AND FUTURE PROSPECTS (continued)

Renewable Energy Business (continued)

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 testing) for photovoltaic power plants, combined with big data analysis technology, AI control technology, wireless communication technology of LOAR/Zgibee, 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 Group'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 developed adaptable steel cable brackets, with the characteristics of wide-span, multi-span, high headroom, multi-scenario, high-capacity, and low steel consumption for projects in special scenarios, such as mountain areas with steep slopes, and industrial and commercial plants.

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 highest quality services to users. The Company has been adhering to the core values of "with Tonking New Energy, we create and share together" and the vision "becoming an enterprise with global influence in the field of light energy", and is committed to building green ecological intelligent photovoltaic power stations in the world, so that human beings can fully enjoy light energy!

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

Revenue

For the financial year ended 31 March 2023, the Group recorded revenue of approximately HK$688,965,000, representing an increase of approximately 186% compared with approximately HK$240,524,000 of the corresponding period in 2022.

Costs of sales

The costs of sales for the year ended 31 March 2023 was approximately HK$616,789,000 (2022: approximately HK$196,124,000). The costs were derived from the renewable energy business which was mainly represented by the cost of materials and supplies, subcontracting charges, labour costs, transportation, machine and vehicle rental expenses and other expenses.

Total administrative and other operating expenses

Total administrative and other operating expenses decreased by approximately 5% to approximately HK$29,381,000 for the year ended 31 March 2023 from approximately HK$30,774,000 for the corresponding period in 2022. The decrease was mainly due to the tightening measures taken during the year.

Net profit

For the year ended 31 March 2023, the Group recorded a profit attributable to the owners of the Company of approximately HK$27,633,000 (2022: approximately HK$5,497,000).

Management Discussion and Analysis (continued)

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 31 March 2023, the total number of issued shares of the Company is 818,000,000.

As at 31 March 2023, the share capital and equity attributable to the owners of the Company amounted to HK$8,180,000 and approximately HK$236,436,000 respectively (2022: HK$8,180,000 and approximately HK$229,628,000 respectively).

Cash position

As at 31 March 2023, the cash and cash equivalents and restricted bank deposits of the Group amounted to approximately HK$54,617,000 (2022: approximately HK$34,582,000) and HK$14,614,000 (2022: approximately HK$8,237,000), respectively, representing an increase of approximately 62% in aggregate as compared to that as at 31 March 2022.

Bank borrowings

During the year, the Group has borrowed short-term bank loans amounted to approximately HK$50,072,000 (2022: approximately HK$40,761,000) which bear weighted average effective interest rates of 4.2% (2022: 5.5%) per annum.

Gearing ratio

As at 31 March 2023, the gearing ratio of the Group was approximately 30% (2022: approximately 28%). 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.

Management Discussion and Analysis (continued)

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (continued)

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

There were no other significant investments held, material acquisition or disposal of subsidiaries and affiliated companies, and other plans for material investments or capital assets during the year ended 31 March 2023.

Contingent Liabilities

As at 31 March 2023, the Group had no material contingent liabilities (2022: Nil).

Capital Commitment

As at 31 March 2023, the Group had no material capital commitments (2022: Nil).

Employees and Emolument Policies

The Group had 128 employees (including Directors) as at 31 March 2023 (2022: 99 employees). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses for the renewable energy businesses. The remuneration packages are subject to review on a regular basis.

The Directors and senior management receive compensation in the form of fees, salaries, allowances, benefits in kind and/or discretionary bonuses relating to our performance. The emoluments of the Directors and senior management are reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market level of salaries paid by comparable companies, individual performance and achievement, and are approved by the Board.

The Group's remuneration to employees includes salaries and discretionary performance bonus. Duty meals are also provided to employees. The Group has adopted profit sharing schemes under which certain employees are benefited from it. The Group provides insurance coverage in respect of medical care and work injury to its employees. Rental allowance is also given to certain employees.

Management Discussion and Analysis (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

The Group's credit risk is primarily attributable to contract assets, trade 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 2023 is set out on pages 41 to 71 of the annual report.

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 2023, 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 2023 is set out in the section headed "Five Years' Financial Summary" of the annual report.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wu Jian Nong（吳建農）, aged 61
Chairman and Chief Executive Officer and Executive Director

Mr. Wu was appointed as an executive Director on 1 October 2015. He was appointed as the chief executive officer and vice chairman of the Company on 21 November 2015 and redesignated from Vice Chairman to Chairman of the Company on 11 August 2016. Mr. Wu is responsible for the strategic development and management of the Group's business and operations.

Mr. Wu completed the executive master of business administration course (EMBA) from Overseas Education College Shanghai Jiao Tong University（上海交通大學海外教育學院）in February 2006. Mr. Wu further obtained a master degree in business administration from Hong Kong Finance and Economics College（香港財經學院）in June 2008. He obtained the qualification of engineer from Quzhou City Leading Group for Title Reform*（衢州市職稱改革領導小組）in 1992. From December 1978 to March 1994, Mr. Wu worked as an engineer in Jiang Shan Chemical Industry General Factory*（江山化工總廠）. He was the chairman of the board of directors of Zhejiang Jiangshan Sunny Electron Co., Ltd*（浙江江山三友電子有限公司）from April 1994 to May 2011. Since May 2011, Mr. Wu has been the president of Zhejiang Tonking New Energy Group Co., Ltd*（浙江同景新能源集團有限公司）.

Ms. Shen Meng Hong（沈孟紅）, aged 47
Executive Director and Compliance Officer

Ms. Shen was appointed as an executive Director on 3 August 2015. She was appointed as the compliance officer of the Company on 18 October 2016. Ms. Shen is responsible for the strategic development and management of the Group's business and operations.

Ms. Shen has a very rich operating experience in the field of enterprise strategic management, mergers and acquisitions, initial public offering and risk management. Ms. Shen was engaged in the compact fluorescent lamp industry and renewable energy industry and had accumulated a wealth of experience in financial management. She obtained an MBA from the Hong Kong Finance and Economics College in 2008, and is a qualified PRC senior accountant.

* *For identification purpose only*

Biographies of Directors and Senior Management (continued)

EXECUTIVE DIRECTORS (continued)

Mr. Xu Shui Sheng（徐水升）, aged 58
Executive Director

Mr. Xu was appointed as an executive Director on 1 October 2015. Mr. Xu is responsible for the strategic development and management of the Group's business and operations.

Mr. Xu obtained a master degree in business administration from Hong Kong Finance and Economics College（香港財經學院）in June 2008. Mr. Xu obtained the qualification of engineer (with specialization in mechanical engineering) from the Human Resources and Security Bureau of Quzhou City*（衢州市人力資源和社會保障局）in August 1996. From August 1981 to September 2001, Mr. Xu had worked as the deputy workshop director（車間副主任）and equipment deputy general manager of Jiang Shan Beer Factory*（江山啤酒廠）. He was the deputy general manager of the technology development department of Zhejiang Jiangshan Sunny Electron Co., Ltd*（浙江江山三友電子有限公司）from September 2001 to August 2012. Since April 2014, Mr. Xu has been the deputy president of Zhejiang Tonking New Energy Group Co., Ltd*（浙江同景新能源集團有限公司）.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wang Xiaoxiong（王肖雄）, aged 63
Independent non-executive Director

Ms. Wang was appointed as an independent non-executive Director on 5 February 2016. Ms. Wang obtained a postgraduate diploma in accounting from Hangzhou Dianzi University. She obtained a diploma in legal studies from Zhejiang Radio & Television University Jiangshan Branch.

Ms. Wang has a rich experience in auditing, financial reporting and accounting. Ms. Wang has been a certified tax agent of the Certified Tax Agent Management Centre of Zhejiang since 2003 and an internal auditor of the Professional Credentials for Internal Auditors since 2004. Moreover, she was granted the title of senior accountant by the Commission of Personnel of Zhejiang in 2004 and has qualified as a certified accountant of the Chinese Institute of Certified Public Accountants in 2008.

* *For identification purpose only*

Biographies of Directors and Senior Management (continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Zhou Yuan (周元), aged 57
Independent non-executive director

Mr. Zhou was appointed as an independent non-executive director on 13 March 2017.

Mr. Zhou obtained a bachelor's degree of Economics and Management from Anhui University of Technology of the PRC in July 1988. He is currently served as the legal representative and the chairman of Shanghai Jing Yao Investment Co., Ltd.* (上海晶耀投資有限公司) and the secretary general of the Photovoltaic Green Ecological Collaborative Organization with extensive experience in corporate, government and chamber of commerce management.

Mr. Yuan Jiangang (袁堅剛), aged 55
Independent non-executive director

Mr. Yuan was appointed as an independent non-executive director on 26 May 2017. Mr. Yuan graduated from the School of Economics of Shanghai University of Finance and Economics in July 1990, is a certified public accountant in PRC. Since March 1997, he is the partner and vice-director of Zhejiang Zhengxin United Accounting Firm* (浙江正信聯合會計 師事務所) (currently known as Zhejiang Zhengxin Yonghao United Accounting Firm* (浙江正信永浩聯合會計師事務所)). Since March 2000, he is also the chairman and general manager of Zhejiang Qiuzheng Asset Appraisal Co., Ltd.* (浙江求正資產評估有限公司), and also the director of Hangzhou Lianxin Tax Office* (杭州聯信稅務師事務所) since April 2000. He is a certified asset valuer, certified tax accountant and senior accountant. Mr. Yuan obtained the independent director qualification of Shanghai Stock Exchange in April 2009, and is currently an independent director of Guangdong Kaiping Chunhui Co., Ltd. (000976), Zhejiang Double Arrow Rubber Co., Ltd. (002381), Zhejiang Zoland Animation Co., Ltd. (833156).

SENIOR MANAGEMENT

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

* *For identification purpose only*

Directors' Report

The Directors are pleased to present to the Shareholders this annual report and the audited consolidated financial statements for the year ended 31 March 2023 (the "Year").

PRINCIPAL ACTIVITIES

The principal business activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in Note 31 to the consolidated financial statements in this annual report.

During the Year, the Group is principally engaged in the renewable energy business in the People's Republic of China (the "PRC").

RESULTS

The results of the Group for the Year are set out on page 78 of this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company may distribute dividends to the shareholders of the Company by way of cash or shares. The Board shall consider the following factors before declaring or recommending dividends:

- the Group's results of operations;
- the Group's cash flow position;
- the Group's business position and future development plan;
- the Group's future operations and profitability;
- legal and regulatory restrictions; and
- other factors that the Board deems relevant.

The payment of such dividend is also subject to any restrictions under the Companies Law of the Cayman Islands, any applicable laws, rules and regulations. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year ended 31 March 2023 (2022: Nil).

Directors' Report (continued)

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2023, a discussion on the Group's future prospects, an account of the principal risks and uncertainties facing the Group, a discussion on the Company's environmental policies and performances, an account of the Company's compliance with significant relevant laws and regulations and an account of the Company's key relationships with its employees, customers and supplies are set out in the section headed "Management Discussion and Analysis" in pages 6 to 15 of the annual report. Also the key financial performance indicators of the Group for the year ended 31 March 2023 is set out in the section headed "Five Years' Financial Summary" in page 148 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 14 to the consolidated financial statements in this annual report.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements in this annual report is set out on page 148. This summary does not form part of the audited consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the Company's paid up capital for the Year are set out in Note 27 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year ended 31 March 2023.

TRANSFER TO RESERVES

Profit attributable to the owner of the Company, before dividends, of approximately HK$27,633,000 (2022: HK$5,497,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 80 of this annual report.

Directors' Report (continued)

DISTRIBUTABLE RESERVES

As at 31 March 2023, the Company's reserves available for distribution represent the share premium, and accumulated losses and the aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to approximately HK$59,389,000 (2022: HK$63,813,000).

Details of movements in the reserves of the Company and the Group during the year are set out in Note 36 to the consolidated financial statements and in the consolidated statement of changes in equity respectively.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 68% of the total sales for the Year and sales to the largest customer included therein amounted to approximately 35% of the total sales for the Year. Purchases from the Group's five largest suppliers accounted for approximately 70% of the total purchases for the Year and purchase from the Group's largest supplier included therein amounted to approximately 37% of the total purchases for the Year.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors who held office during the year ended 31 March 2023 and as at the date of this report were:

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

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

Ms. Shen Meng Hong and Ms. Wang Xiaoxiong will retire at the forthcoming AGM and, all being eligible, will offer themselves for re-election at the said meeting.

Directors' Report (continued)

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of Directors' and other senior management are disclosed in the section headed "Biographies of Directors and Senior Management" on pages 16 to 18 of this annual report.

DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS' REMUNERATION

Details of the Directors' emoluments and the five individuals with the highest emoluments are set out in Notes 9 and 10 to the consolidated financial statements in this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and considers that all the independent non-executive Directors are independent of the Company.

INTERESTS OF DIRECTORS IN CONTRACTS

Saved as disclosed in Note 33 under the heading "Related Party Transactions" to the consolidated financial statements, (i) no contract of significance to which the Company, or any of its holding company or subsidiaries was a party, and in which a Director or an entity connected with such Director had a material interest, whether directly or indirectly, subsisted at 31 March 2023 or at any time during the year ended 31 March 2023; (ii) no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the GEM Listing Rules) of the Company or any of its subsidiaries; and (iii) no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year, none of the Directors or any of their respective close associates has any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

All the independent non-executive Directors are delegated with the authority to review the non-competition confirmation given by, among others, Rise Triumph Limited, Mr. Wu Jian Nong, Mr. Xu Shui Sheng and Ms. Shen Meng Hong. The independent non-executive Directors were not aware of any non-compliance of the non-competition confirmation given by Rise Triumph Limited, Mr. Wu Jian Nong, Mr. Xu Shui Sheng and Ms. Shen Meng Hong during the year ended 31 March 2023 and up to the date of this annual report.

CONNECTED TRANSACTIONS

During the Year, details of significant transactions with the Company's related parties or transactions undertaken in the normal course of business are set out in the Note 33 to the consolidated financial statements. None of those transactions constitutes a disclosable connected transaction pursuant to Chapter 20 of the GEM Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2023 are set out in Note 3 to the consolidated financial statements.

The Group has participated in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group has not participated in any other pension schemes.

Directors' Report (continued)

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 2023, the interests and short positions of the Directors and chief executive of the Company in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name of Directors	Capacity	Number of ordinary shares interested	Approximate percentage of shareholding
Mr. Wu Jian Nong	Interest of controlled corporation (note)	231,454,000	28.30%

Note:

These 231,454,000 Shares are totally held by Rise Triumph Limited and Signkey Group Limited, of which 224,380,000 shares are held by Rise Triumph Limited and 7,074,000 shares are held by Signkey Group Limited. Mr. Wu Jian Nong, Mr Xu Shui Sheng and Ms. Shen Meng Hong beneficially owns 96%, 3% and 1% of the issued share capital of Rise Triumph Limited respectively. Mr Xu Shui Sheng and Ms. Shen Meng Hong are therefore deemed to held 6,731,400 Shares (being 0.82%) and 2,243,800 Shares (being 0.27%) of the Shares of the Company respectively. Mr. Wu Jian Nong, Mr Xu Shui Sheng and Ms. Shen Meng Hong beneficially owns 85%, 3% and 1% of the issued share capital of Signkey Group Limited respectively. Mr. Wu Jian Nong is deemed, or taken to be, interested in all the Shares held by Rise Triumph Limited and Signkey Group Limited respectively for the purpose of the SFO.

Save as disclosed above and so far as is known to the Directors, as at 31 March 2023, 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 2023 and so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of Shareholders	Nature of Interest	Number of Shares interested	Approximate percentage of shareholding
Rise Triumph Limited (Note 1)	Beneficial owner	224,380,000	27.43%
Victory Stand (Note 2)	Beneficial owner	206,000,000	25.18%

Note:

1. These 224,380,000 Shares are held by Rise Triumph Limited. Mr. Wu Jian Nong beneficially owns 96% of the issued share capital of Rise Triumph Limited. Mr. Wu Jian Nong is deemed, or taken to be, interested in all the Shares held by Rise Triumph Limited for the purpose of the SFO.

2. These 206,000,000 Shares are held by Victory Stand International Limited ("Victory Stand"), the entire issued share capital of which is beneficially owned as to 73.88%, 17.41% and 8.71% by Mr. Wu Kai Char, Ms. Wong Wai Ling and Mr. Lui Hung Yen, respectively. Mr. Wu Kai Char is deemed to be interested in all the Shares held by Victory Stand under the SFO.

Save as disclosed above, as at 31 March 2023, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company under Section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

During the Year, none of the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or their close associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Report (continued)

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 2 November 2013. The following is a summary of the principal terms and conditions of the Share Option Scheme.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

2. Participants

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group.

3. Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of all the Shares in issue as at the Date of Listing (i.e. a total of 40,000,000 Shares representing 4.89% of the issued share capital of the Company as at the date of this report).

4. Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

5. Term of subscription of Shares upon exercise of Share Options

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

SHARE OPTION SCHEME (continued)

6. Minimum period for which an option must be held before it can be exercised

The Board may in its absolute discretion set a minimum period for which an option must be held and performance targets must be achieved before an option can be exercised.

7. Time of acceptance and the amount payable on acceptance of the option

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.

8. Basis of determining the subscription price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

9. Life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on 2 November 2013 and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

Since the adoption of the Share Option Scheme up to the date of this report, no share options have been granted pursuant to the Share Option Scheme.

There is no option outstanding, granted, cancelled and lapsed during the Year.

Directors' Report (continued)

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 29 to 40 of this annual report.

CHARITABLE DONATIONS

No charitable or other donations were made by the Group during the year (2021: Nil).

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float during the Year and up to the date of this annual report as required under the GEM Listing Rules.

AUDITORS

The consolidated financial statements for the years ended 31 March 2023 and 2022 have been audited by Moore Stephens CPA Limited. The consolidated financial statements for the year ended 31 March 2021 were audited by HLB Hodgson Impey Cheng Limited. Moore Stephens CPA Limited retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming AGM.

During the year ended 31 March 2022, HLB Hodgson Impey Cheng Limited resigned as auditors of the Company and Moore Stephens CPA Limited were appointed by the directors to fill the casual vacancy so arising. There were no other changes of auditors in the past three years.

PERMITTED INDEMNITY PROVISIONS

The Articles of Association of the Company provide that the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all losses or liabilities which they incur or sustain as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted. The Company has taken out and maintained directors' liability insurance which provides appropriate coverage for the Directors and directors of the subsidiaries of the Company.

By Order of the Board
Tonking New Energy Group Holdings Limited
Wu Jian Nong
Chairman

Hong Kong, 26 June 2023

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group's corporate governance practices are based on the principles and the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM Listing Rules.

During the year ended 31 March 2023, 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 C.2.1 as described below.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.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 C.2.1 of the Code.

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

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

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

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

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

Corporate Governance Report (continued)

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors during the year ended 31 March 2023.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 March 2023 and as at the date of this report are as follows:

Board of Directors

Executive Directors

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

Independent Non-Executive Directors

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

The brief biographic details of the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 16 to 18 of this annual report.

The Company has complied with the requirements under Rule 5.05(1) and (2), and 5.05A of the GEM Listing Rules during the year ended 31 March 2023. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 5.09 of the GEM Listing Rules.

FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the Shareholders as a whole while taking into account the interests of other stakeholders. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

Corporate Governance Report (continued)

The Board is also delegated with the corporate governance functions under code provision A.2.1 of the Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

BOARD MEETINGS AND PROCEDURES

The Board has met regularly and board meetings were held at least four times a year at approximately quarterly intervals. Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision C.5.3 of the Code, at least 14 days' notice has been given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments before the final version of which are endorsed in the subsequent Board meeting. Minutes of board meetings were kept by company secretary and open for inspection at any reasonable time on reasonable notice by any director.

Details of the attendance of the Board meetings, audit committee (the "Audit Committee") meetings, remuneration committee (the "Remuneration Committee") meetings, nomination committee (the "Nomination Committee") meetings, compliance committee (the "Compliance Committee") meetings and general meetings of the Company held during the year ended 31 March 2023 are summarized as follows:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Compliance Committee meeting	General meeting
Executive Directors						
Mr. Wu Jian Nong	4/4	N/A	N/A	N/A	N/A	1/1
Ms. Shen Meng Hong	4/4	N/A	N/A	1/1	1/1	1/1
Mr. Xu Shui Sheng	4/4	N/A	N/A	N/A	N/A	1/1
Independent Non-executive Directors						
Ms. Wang Xiaoxiong	4/4	5/5	1/1	1/1	1/1	1/1
Mr. Zhou Yuan	4/4	5/5	1/1	1/1	1/1	1/1
Mr. Yuan Jiangang	4/4	5/5	1/1	N/A	N/A	1/1

Corporate Governance Report (continued)

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Compliance Committee, with written terms of reference which are available for viewing on the website of the Company to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

AUDIT COMMITTEE

The Company established the Audit Committee on 2 November 2013 with written terms of reference which are in compliance with the code provisions of the Code. The primary duties of the Audit Committee are mainly to review the material investment, capital operation and material financial system of the Company; to review the accounting policy, financial position and financial reporting procedures of the Company; to communicate with external audit firms; to assess the performance of internal financial and audit personnel; and to assess the internal control of the Company.

The Audit Committee currently has three members comprising Mr. Yuan Jiangang (Chairman), Ms. Wang Xiaoxiong and Mr. Zhou Yuan, all being independent non-executive Directors.

During the year ended 31 March 2022, the Audit Committee had reviewed the final results of the Group for the year ended 31 March 2022, the first quarterly results of the Group for the three months ended 30 June 2022, the interim results of the Group for the six months ended 30 September 2022 and the third quarterly results of the Group for the nine months ended 31 December 2022. The Audit Committee had reviewed the Group's internal controls for the year ended 31 March 2023. The Group's final results for the year ended 31 March 2023 had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this annual report, and confirmed that this annual report complies with the GEM Listing Rules.

The Audit Committee held 6 meetings during the year ended 31 March 2023. Details of the attendance of the Audit Committee meetings are set out above.

REMUNERATION COMMITTEE

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

REMUNERATION COMMITTEE (continued)

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

The Remuneration Committee held one meeting during the year ended 31 March 2023. Details of the attendance of the Remuneration Committee meetings are set out above.

At the meeting, the Remuneration Committee had reviewed the remuneration policies of the Directors and the senior executives and reviewed the remuneration packages and performance of the Directors during the year ended 31 March 2022.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 2 November 2013 with written terms of reference which are in compliance with code provisions of the Code. The primary duties of the Nomination Committee include the review of the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to make recommendations to the Board regarding any proposed change, identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, assess the independence of independent non-executive Directors, and make recommendations to be Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive.

The Nomination Committee consists of three members, namely, Ms. Wang Xiaoxiong (Chairman), Mr. Zhou Yuan, both of which are independent non-executive Directors, and Ms. Shen Meng Hong, an executive Director. The majority of the members of the Nomination Committee are independent non-executive Directors.

The Nomination Committee held one meeting during the year ended 31 March 2023. Details of the attendance of the Nomination Committee meetings are set out above.

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

Corporate Governance Report (continued)

DIVERSITY OF THE BOARD

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

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

(2) the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy; and

(3) The Board has also set measurable objectives to implement the diversity policy and review such objects from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs.

COMPLIANCE COMMITTEE

The Company established the Compliance Committee on 2 November 2013 with written terms of reference. The primary duties of the Compliance Committee are to establish, execute, monitor and maintain the compliance system of the Group and to conduct education and training programmes on compliance matters.

The Compliance Committee comprises of three members, namely Ms. Shen Meng Hong (Chairman), an executive Director, Ms. Wang Xiaoxiong and Mr. Zhou Yuan, both of them are independent non-executive Director.

The Compliance Committee held one meeting during the year ended 31 March 2023. Details of the attendance of the Compliance Committee meeting are set out above.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

MECHANISMS TO ENSURE INDEPENDENT VIEWS AND INPUT

The Company has established channels through formal and informal means whereby independent non-executive Directors are encouraged to express their views in an open and candid manner, and in a confidential manner if circumstances require; these include periodic Board reviews, meeting sessions with the Chairman and interaction with management and other Board members outside the boardroom.

Corporate Governance Report (continued)

PROFESSIONAL DEVELOPMENT OF THE DIRECTORS

In compliance with code provision C.1.4 of the Code, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors had provided the relevant record to the Company.

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

COMPANY SECRETARY

Mr. Yuen Poi Lam William ("Mr. Yuen"), the representative of Proficient Skill Limited, was appointed as the named Company Secretary of the Company. Mr. Yuen's primary contact person at the Company is Ms. Shen Meng Hong, an executive Director. Mr. Yuen has complied with Rule 5.15 of the GEM Listing Rules by receiving not less than 15 hours of relevant professional training during the year ended 31 March 2023.

SENIOR MANAGEMENT'S REMUNERATION

For the year ended 31 March 2023, senior management of the Company comprises three individuals.

The senior management's remuneration payment of the Company during the year ended 31 March 2023 falls within the following band:

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

Corporate Governance Report (continued)

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged Moore Stephens CPA Limited as its external auditors for the year ended 31 March 2023. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors. During the year ended 31 March 2023, the fee payable to Moore Stephens CPA Limited in respect of its statutory audit services provided to the Company was HK$700,000.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

GROUP RISK MANAGEMENT

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

Corporate Governance Report (continued)

PRINCIPAL RISKS

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

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

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

RISK GOVERNANCE

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

The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, and management with a profile of its major risks and records management's actions taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. The results of these reviews are recorded in the risk registers for analysis of potential strategic implications and for regular reporting to the management and Directors of the Company.

The risk assessment and control systems will be evaluated by the Board and management at least annually or earlier if significant changes occur that introduce new risks or significantly alter the level of current risks. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Board will continue to review and improve the Group's risk management and internal control systems, taking into account the prevailing regulatory requirements, the Group's business development, interests of shareholders, and technological advances.

Corporate Governance Report (continued)

INSIDE INFORMATION

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

OUR ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Group established its enterprise risk management framework in the year. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. The Group's risk management framework follows the COSO Enterprise Risk Management – Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversights risk management and internal audit functions.

OUR RISK CONTROL MECHANISM

The Group adopts a "three lines of defence" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance department and independent internal audit outsourced to and conducted by BTCGL. The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, and management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

The Group's risk management activities are performed by management on an ongoing process. The Company has adopted risk management policy and procedures (the "Risk Management Policy"), the effectiveness of the Group's risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

OUR RISK CONTROL MECHANISM (continued)

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually to further enhance the Group's internal control and risk management systems as appropriate.

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 17 of the GEM Listing Rules as well as Part XIVA of the Securities and Futures Ordinance ("SFO"). The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, and staff training arrangements, etc.

THE SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 64 of the articles of association of the Company, extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In order to keep Shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the Shareholders through financial reports and announcements. The Company has established its own corporate website (www.tonkinggroup.com.hk) as a channel to facilitate effective communication with its Shareholders and the public. The Company will continue to enhance communications and relationships with its shareholders and investors. A shareholders communication policy was adopted on 2 November 2013.

Shareholders, investors and interested parties can make enquiries directly to the Company through the following e-mail: info@tonkinggroup.com.hk.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Tonking New Energy Group Holdings Limited

Address:	Room 701, 7th Floor, Peninsula Centre, 67 Mody Road, Tsimshatsui, Kowloon, Hong Kong
Tel:	(852) 2505-5566
Fax:	(852) 2976-9699
E-mail:	info@tonkinggroup.com.hk

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant committees of the Board, where appropriate, to answer the Shareholders' questions.

Corporate Governance Report (continued)

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to article 113 of the articles of association of the Company, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The procedures for Shareholders to propose a person for election as a Director is posted on the website of the Company.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

On 23 September 2022, the shareholders of the Company have approved at the AGM the proposed amendments (the "Amendments") to the articles of association of the Company (the "Articles") to bring the existing Articles in line with (i) the Core Shareholder Protection Standards set out in Appendix 3 of the GEM Listing Rules which took effect on 1 January 2022 and (ii) the relevant requirements of the applicable laws of the Cayman Islands, and to make certain minor management amendments to the Articles. Details of the Amendments were set out in the circular of the Company dated 26 August 2022. The latest Memorandum of Association and Articles of Association of the Company is available on both the websites of the Company and of the Stock Exchange.

Environmental, Social and Governance Report

SUMMARY AND SCOPE OF REPORT

Tonking New Energy Group Holdings Limited and its subsidiaries ("Tonking New Energy" or the "Group") strive to enhance the transparency of the Group in respect of environmental and social influence. The Board of Directors is pleased to present the Environmental, Social and Governance Report (the "Report") for the year ended 31 March 2023, which covers the management policies, strategies, relevant materiality and objectives of the Group regarding environmental, social and governance issues for the period from 1 April 2022 to 31 March 2023 (the "Reporting Year"). The Report has been prepared based on the "Environmental, Social and Governance Reporting Guide" set forth in Appendix 20 to the GEM Listing Rules of The Stock Exchange of Hong Kong Limited.

The Group commenced existing renewable energy business to seize the opportunities created by the growing demand for renewable energy in China in the fourth quarter of 2015. During the Reporting Year, the Group continued to actively develop renewable energy business segment into its pillar business. Steady development has been achieved and positive contribution has been made to the revenue of the Group by this business segment since its commencement. In order to be in line with the Group's global development strategy, the Group will endeavour to devote more resources to expanding its renewable energy business and make it as the scope of disclosure of the Report.

The Group strives to foster sustainable development and undertake corporate social responsibility. Therefore, while the Group actively develops and seeks opportunities, it also takes into consideration factors including environment, society and ethics so as to ensure the Group can achieve a balance between business development, social demand and environmental impacts. The Group also places importance on creating positive relationships with its stakeholders (including but not limited to customers, investors, shareholders, suppliers, employees and other entities) through understanding and addressing their expectations. The Group will therefore continue to maintain close communication with all stakeholders to satisfy expectations and demands from various stakeholders.

In the course of preparing the Report, the Group conducted thorough review and assessment on its existing environmental and social policies with the aim to achieve better performances in aspects of the environment, society, corporate governance and operation in the future and make more contributions to the communities where it operates.

In order to achieve sustainable development, the Group has adopted the following strategies:

1. achieving environmental sustainability;
2. respecting human rights and community culture;
3. maintaining communication with stakeholders;
4. supporting employees and providing a friendly working environment;
5. sustaining local community development; and
6. strengthening our commitment to customers.

The Report was approved by the Board of Directors on 26 June 2023.

Environmental, Social and Governance Report (continued)

FEEDBACK AND OPINION

For details of the financial performance and corporate governance of the Group during the Reporting Year, please visit the Group's website at www.tonkinggroup.com.hk and read its annual report. The Group also values your feedback and opinions about its sustainable performance.

You are welcome to submit any advice or comments on the content or form of the Report by sending emails to info@tonkinggroup.com.hk.

INFORMATION ABOUT STAKEHOLDERS

The Group acknowledges that the advice from stakeholders can establish a solid foundation for the long-term development and success of the Group. The Group provides stakeholders with various communication channels enabling them to express their opinions on the results of our sustainable development and future strategies.

Stakeholders	Possible Incidental Issues	Communication and Response
Hong Kong Stock Exchange	Compliance with the Listing Rules, publishing announcements in a timely and accurate manner	Meetings, trainings, seminars, programs, updating of website and announcements
Governments	Compliance with laws and regulations, social welfare and prevention of tax evasion	Interactions and visits, government inspections, tax returns and other information
Suppliers	Payment schedule, supply stability	On-site research
Investors	Corporate governance system, business strategies and performance, investment return	Holding and participation in seminars, interviews, general meetings, provision of financial reports or business updates for investors, press and analysts
Media	Corporate governance, environmental protection, human rights	Posting of communications on the company website
Customers	Product/service quality, reasonable pricing, value of service, protection for the labour force and work safety	On-site visits and after-sale services
Employees	Rights and benefits, employee salaries, training and development, working hours, working environment	Conducting team activities, trainings, interviews, issue of staff manual and internal memorandum
Community	Community environment, employment and community development, social welfare	Organising community activities, employee volunteering activities and community welfare, sponsorship and donations

BASIS FOR PREPARATION OF THE REPORT

The Report is prepared in accordance with the disclosure obligations set out in the Environmental, Social and Governance Reporting Guide in Appendix 20 of the GEM Listing Rules. The Report has complied with all mandatory disclosure requirements and the "Comply or Explain" provisions, as well as the principles of materiality, being quantitative, balance and consistency. When preparing the Report, the Group adopted emission factors and international standards listed in the Environmental, Social and Governance Guidance issued by the Stock Exchange using the same preparation method as the previous year. For details on applying materiality reporting principle, please refer to the section headed "Materiality Assessment" in the Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

Statement of the Board of Directors

The Group has established a governance structure to strengthen its work on environmental, social and governance. The Board of Directors has overall responsibility for the Group's environmental, social and governance strategies and reporting and overall supervision of the underlying risks and opportunities. The Board of Directors conducts at least one enterprise risk assessment annually to identify, assess and monitor environmental, social and governance-related risks in the ordinary course of business. The Board of Directors is also responsible for formulating the Group's environmental, social and governance-related management policies, strategies and objectives, reviewing the objectives established by the Group and the performance in relation to them on a regular basis, and revising the strategies as appropriate. To implement the concept of sustainable development and effectively manage environmental, social and governance issues, the Group has established an Environmental, Social and Governance Working Group to assist the Board of Directors in overseeing and promoting the implementation of various environmental, social and governance strategies. Environmental, Social And Governance Working Group is also responsible for assisting the Board of Directors in identifying and prioritising key issues, reports regularly to the Board of Directors on the effectiveness of the environmental, social and governance system and the performance of the Group's key environmental and social performance indicators, and prepares the annual environmental, social and governance report.

Going forward, the Board of Directors will continue to monitor and refine the Group's sustainability initiatives and performance, with a view to creating long-term value for all stakeholders and the communities in which we operate.

Environmental, Social and Governance Report (continued)

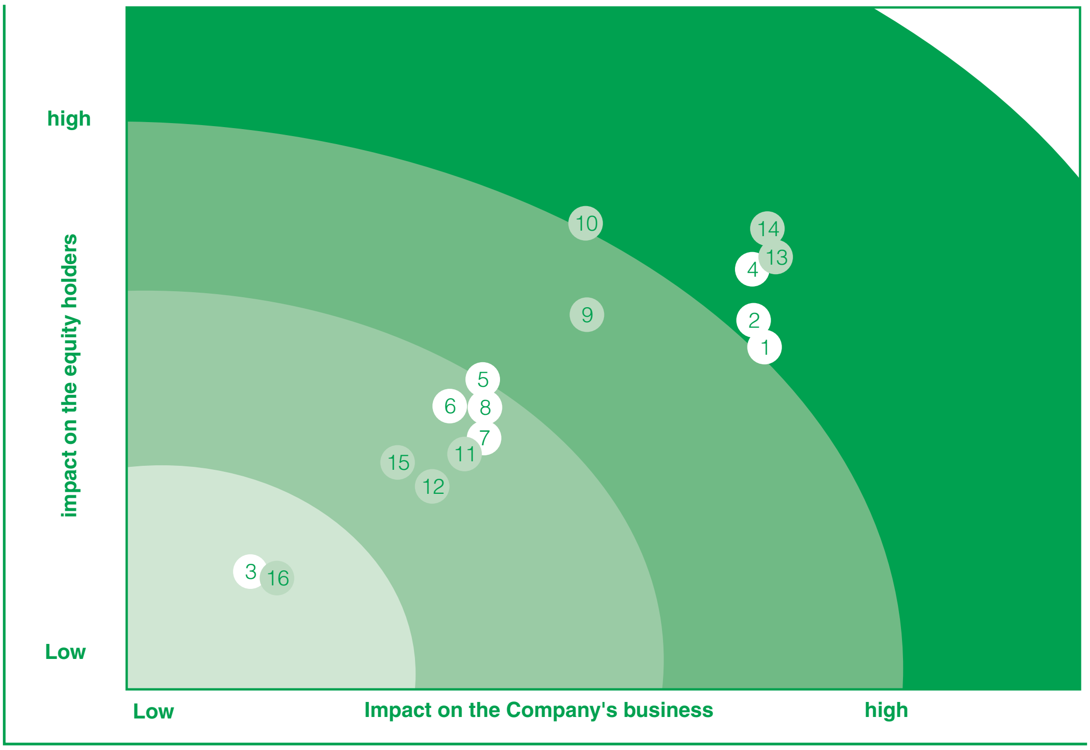
GOVERNANCE STRUCTURE

The Board of Directors	• The Board of Directors is responsible for overseeing environmental, social and governance-related issues, including the formulation of relevant policies and strategies.
Environmental, Social and Governance Working Group	• The Working Group is responsible for assisting the Board of Directors in the daily management of various environmental, social and governance issues.
Functional Departments	• Each of these functional departments is responsible for implementing the measures adopted by the Group in relation to various environmental, social and governance issues.

Environmental, Social and Governance Report (continued)

MATERIALITY ASSESSMENT

To ensure that the Report has comprehensively covered and responded to the key issues of concern to stakeholders, in addition to regular communication with stakeholders, the Group has made reference to certain information such as issues covered by the environmental, social and governance report of previous year, internal policies of the Company, industry trends and the Materiality Map of the Sustainability Accounting Standards Board to identify issues that have a potential and practical impact on the Group's sustainable development. The Group analysed and prioritised the environmental, social and governance issues based on certain factors such as its strategy, development and objectives, and the results are as follows:



Environmental, Social and Governance Issues

1	Waste Gas	9	Employment
2	Greenhouse Gas Emissions	10	Employees' Health and Safety
3	Hazardous waste	11	Employee Development and Training
4	Non-hazardous Waste	12	Labour Standards
5	Energy Consumption	13	Supply Chain Management
6	Water Consumption	14	Product Responsibility
7	Environment and Natural Resources	15	Anti-corruption
8	Climate Change	16	Community Investment

Environmental, Social and Governance Report (continued)

A. ENVIRONMENTAL

Overview

The Group strives to promote environmental protection and sustainable development with a focus on the solar photovoltaic business in terms of the renewable energy business. The use of solar energy as the clean and renewable energy for power generation can effectively reduce the emission of carbon dioxide, and mitigate the global greenhouse effect.

Firstly, the solar photovoltaic power generation can effectively reduce the consumption of non-renewable energy (such as fossil fuels). With the excessive exploitation of petroleum and coal, there is less and less non-renewable energy reserve, and the country is facing great pressure of energy exhaustion. According to the "Renewable Energy Law of the People's Republic of China" (《中華人民共和國可再生能源法》), China encourages and supports the power generation with non-fossil energy such as wind energy, solar energy, hydro-energy, biomass energy and ocean energy. The development of solar energy resources not only comply with the national policies on the environmental protection and energy conservation, but also contribute to reducing the emission of greenhouse gas (such as carbon dioxide), and thus mitigate the greenhouse effect and global warming and provide a green and eco-friendly living environment, creating better living conditions for the public.

Secondly, the solar energy is a kind of inexhaustible clean and renewable energy with unique advantages and huge development potentials. The full use of solar energy is conducive to energy conservation, emission reduction, environmental protection and local economy, as well as the sustainable development of global energy.

Business

The renewable energy business of the Group mainly includes sales, engineering design and installation of solar photovoltaic products, provision of a one-stop value-added solution for photovoltaic power stations (EPC, maintenance support and operation), sales of the patented photovoltaic tracking systems and investment in building its own photovoltaic power stations. Since its establishment, the Group has entered into several project agreements with independent third parties, including solar projects, sales and installation orders of the patented photovoltaic tracking systems, contract orders of the permitted grid connection of agricultural photovoltaic, fishery photovoltaic, forestall photovoltaic power stations and engineering, procurement and construction of a photovoltaic power station and desert agriculture project. The Group is also equipped with relevant machinery and equipment for the processing of solar mounting brackets in response to customer demands. The processing mainly includes mounting bracket punching, which is not complicated, and will not produce any waste water or gas. Therefore, the operations of the Group have minimal adverse impacts on the environment.

In terms of laws and regulations concerning the environment, the Group abides by relevant laws and regulations such as the "Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》)", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》)", the "Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》)" and the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》)".

At present, the business of the Group does not involve direct production, and therefore the Group produces limited amount of industrial waste and wastewater in daily operations. Although the Group has production workshops to process the solar photovoltaic mounting brackets, the procedure is not complicated and only generates a little non-hazardous waste, such as steel and other metal scraps, during the punching process.

The Group is well aware of the significance of environmental protection to society, strives to promote the green industry, and popularizes its primary solar photovoltaic business to contribute to environmental protection. It will continue to strictly abide by relevant environmental requirements and take various environmental protection measures in daily business operations to effectively reduce adverse impacts on the environment. It also encourages employees to promote environmental protection practices to reduce the consumption of resources and adhere to the recycling principle, in order to guarantee the balance between business development and environmental protection.

Compliance and Penalties

The Group was not aware of any non-compliance or penalties in respect of environmental laws and regulations during the Reporting Year.

A1. EMISSIONS

The Group used 32 motor vehicles during the Year, of which 12 motor vehicles were owned by the Group and the remaining 20 were rented from third parties, which are mainly used for office purpose. In addition, the Group also rented forklifts and construction vehicles for the transportation of construction materials, based on the project requirements during the project implementation. Due to an increase in large-scale installation projects during the Reporting Year, the total emissions of fuels increased along with the increased oil consumption by construction vehicles as compared to last year. The Group will strive to minimize the total emissions of fuels by reducing the intensity of total gas emissions or maintaining it between 90% to 120% of the basic level for the year ended 31 March 2023 in the next Reporting Year.

Environmental, Social and Governance Report (continued)

The data on emissions from the direct combustion of fuels generated by the Group in operations are as follows:

Fuels	**Emissions[1] Amount (in kilogram)**	
	Year ended 31 March 2023	Year ended 31 March 2022
Diesel for motor vehicles		
Nitrogen oxides (NO_x)	**151.27**	170.76
Sulphur Oxides (SO_x)	**0.23**	0.25
Particulate matter (PM)	**14.50**	16.36
Gasoline for motor vehicles		
Nitrogen oxides (NO_x)	**381.67**	133.20
Sulphur Oxides (SO_x)	**0.63**	0.21
Particulate matter (PM)	**36.52**	12.74
Total emissions (in kilogram)		
Nitrogen oxides (NO_x)	**532.94**	303.95
Sulphur Oxides (SO_x)	**0.86**	0.46
Particulate matter (PM)	**51.02**	29.10
Intensity of total emissions (kilogram/square metre)		
Nitrogen oxides (NO_x)	**0.097**	0.055
Sulphur Oxides (SO_x)	**0.000**	0.000
Particulate matter (PM)	**0.009**	0.005

[1] The emissions mainly included NO_x, SO_x and PM.

Environmental, Social and Governance Report (continued)

Our greenhouse gas (GHG) emissions are mainly generated from the use of purchased electricity, gasoline for motor vehicles and diesel for motor vehicles. Due to an increase in large-scale installation projects during the Reporting Year, both the total GHG emissions and the respective intensity generated from vehicles increased along with the increased oil consumption by construction vehicles as compared to last year. As such, there was a slight deviation from the set target in previous year. In order to protect the environment, the Group has formulated a series of environmental protection measures and allocated suitable equipment; details of relevant measures are described in the following sections. The electricity purchased is mainly for the operation of the production equipment, lighting, air-conditioning system, computer and other office equipment, etc. The Group will strive to minimize the total GHG emissions, aiming to reduce or maintain the intensity of total GHG emissions between 90% and 120% of the level of baseline for the year ended 31 March 2023 in the next Reporting Year. During the Reporting Year, the data on GHG generated by the Group in operations are as follows:

Scope of GHG Emissions	GHG Emission Sources	GHG Emissions[2] (in tonnes of CO_2e)		GHG Emission Intensity (in tonnes/square metre[3])	
		Year ended 31 March 2023	Year ended 31 March 2022	**Year ended 31 March 2023**	Year ended 31 March 2022
Scope 1					
Direct emission	Diesel for motor vehicles	**40.56**	41.26	**N/A[4]**	N/A[4]
	Gasoline for motor vehicles	**116.89**	34.60	**N/A[4]**	N/A[4]
Scope 2					
Indirect emission	Purchased electricity	**310.97**	214.06	**0.0567**	0.0390
Scope 3					
Other indirect emission	Disposed paper	**10.30**	6.28	**0.0019**	0.0011
	Business air travel	**14.59**	18.26	**0.0027**	0.0033
Total emission		**493.31**	314.46	**0.0613**	0.0440

2 GHG emissions mainly included carbon dioxide, methane and nitrous oxide.
3 The area included those operating sites with sources of emissions.
4 As the consumption data of diesel for motor vehicles and gasoline for motor vehicles included diesel record for rented forklifts or construction vehicles and project site vehicles, it is impossible to calculate the GHG emission intensity.

Environmental, Social and Governance Report (continued)

The non-hazardous wastes generated by our offices and workshops mainly included scrap iron and aluminium, paper, waste cardboards and domestic sewage. During the Reporting Year, the total amount of scrap iron and aluminium increased as a result of an increased output in workshops where those scraps were generated as compared with last year. Moreover, both the total amount and respective intensity of non-hazardous wastes generated by the Group increased as compared to last year due to the significant increase in the Group's output during the Reporting Year. As such, there was a slight deviation from the set target. The data on non-hazardous wastes generated by the Group in operations is as follows:

Non-hazardous Waste	**Total Waste (in tonnes)**		**Waste Intensity (in tonnes/square metre)**	
	Year ended 31 March 2023	Year ended 31 March 2022	**Year ended 31 March 2023**	Year ended 31 March 2022
Domestic sewage	**5,752.06**	3,348.90	**1.1567**	0.6734
Scrap iron and aluminium	**136.79**	255.78	**0.0275**	0.0515
Waste cardboard	**0.10**	0.69	**0.0000**	0.0001
Waste plastics[5]	**0.69**	N/A	**0.0001**	N/A
Paper	**2.15**	1.31	**0.0004**	0.0003
Total	**5,891.79**	3,606.68	**1.1847**	0.7253

In order to reduce the adverse impacts on the environment, the Group has formulated a series of environmental protection measures and purchased suitable equipment. Relevant measures are as follows:

1. Waste gas management: The Group has installed gas collection device on the cookers in the canteen to collect the oil, smoke and waste gas produced during the cooking; and oil fume purifier is equipped to treat the oil, smoke and waste gas and reduce the emission of waste gas.

2. Waste water management: The domestic sewage produced in the canteen or operations is discharged into the sewage pipeline and transported to the designated sewage treatment plant for unified treatment.

3. Solid waste management: The Group properly collects and stores the waste produced in the processing. All scrap iron and aluminium and waste cardboards collected will be resold to proper units for comprehensive treatment. In addition, other waste produced by the Group during daily operation will be uniformly collected and removed by the personnel of the competent environmental health authority. In a bid to avoid unnecessary waste of paper and advocate the efficiency of paper usage, the Group encourages its staff to use electronic documents in place of copied documents for internal or external communication during daily operations and reduce the consumption of paper accordingly. In case of need for printing, the Group would use double-sided printing and reuse the used environmentally friendly paper for printing.

The Group has taken the above measures and will strive to reduce the total non-hazardous waste, aiming to reduce or maintain the intensity of total non-hazardous waste between 90% and 120% of the level of baseline for the year ended 31 March 2023 in the next reporting year.

[5] After assessment, the total amount of waste plastics generated by the Group during the Year was considered material and was included in the calculation of the total amount of non-hazardous waste during the Reporting Year.

A2. USE OF RESOURCES

Main resources used by the Group include fuels for motor vehicles, electricity and water. Motor vehicles are mainly used for the purpose of office and transporting construction materials for projects. Electricity is mainly used to maintain the operation of the production equipment, lighting, air-conditioning system, computer and other office equipment in the production plant and office of the Group. In order to reduce the consumption of electricity, the Group adopts energy-saving electric machinery during the production, and also turns off the unnecessary lighting system and electrical equipment, to achieve the purpose of saving electricity. In addition, the Group reduces the waste of resources due to non-conforming products by strengthening the supervision of processing and enhancing the passing rate of products. For the implementation of environmental management system of the Group, resources and energy conservation, and reduction of pollutions of other kinds in the process of resources and energy use, enhancement of use and management of resources such as water and electricity during construction and office activities, the Group has established the Green Office Management Agreement and the Resource Utilization Management System.

In terms of energy efficiency, during the Reporting Year, the total energy consumption of the Group was 1,115,422.79 kWh (2021: 674,402.51 kWh), while the intensity of the total energy consumption was 203.44 kWh per square metre (2021: 123.00 kWh), and 9,699.33 kWh per employee (2021: 6,812.15 kWh). Energy consumption includes electricity and fuels (diesel and gasoline) for motor vehicles. During the Reporting Year, the energy consumption data during operation of the Group is as follows:

	Year ended 31 March 2023	Year ended 31 March 2022
Fuels for motor vehicles (kWh)	**570,154.13**	305,961.32
– Diesel	**153,321.61**	166,682.15
– Gasoline	**416,832.52**	139,279.17
Electricity consumption (kWh)	**545,268.66**	368,441.19
Total energy consumption[6] (kWh)	**1,115,422.79**	674,402.51
Intensity of total energy consumption (kWh/square metre area)	**203.44**	123.00
Intensity of total energy consumption (kWh/number of employees)	**9,699.33**	6,812.15

The Group's total energy consumption and related intensity have increased due to the increased oil consumption by construction vehicles as compared to last year as a result of an increase in large-scale installation projects during the Reporting Year. As such, there was a slight drop in emission reduction targets set in previous years. The Group still aims to minimize the total energy consumption by reducing the total energy consumption intensity or maintaining them between 90% and 120% of the basic level for the year ended 31 March 2023 in the next reporting year.

[6] There is a slight difference from the data disclosed in previous years due to the inclusion of fuel consumption in the calculation of use of resources during the Year.

In terms of the consumption of water resources, the Group does not have any water consumption in the processing or installation of projects. There are not any problems in securing applicable water sources in terms of office water use as the current water supply can meet the requirements of the daily operations of the Group. In order to lessen the impacts on the natural environment, the Group encourages its staff to save water and reduce unnecessary waste, e.g. make sure water taps are properly turned off after use. During the Reporting Year, due to the growth of the Group's business, the water consumption also increased as compared with last year. The Group is still committed to reducing the water consumption, aiming to reduce or maintain the intensity of water consumption between 90% and 120% of the level of baseline for the year ended 31 March 2023 in the next reporting year. During the Reporting Year, the water consumption data during operation of the Group is as follows:

	Year ended 31 March 2023	Year ended 31 March 2022
Water consumption[7] (cubic metre)	**5,752.06**	3,348.90
Intensity of water consumption (cubic metre/square metre area[8])	**1.16**	0.67

As for the packaging materials, since the Group's business does not involve in direct production and packaging and thus little packaging materials were produced during daily operations, there was not any packaging materials data recorded during the Reporting Year.

A3. ENVIRONMENT AND NATURAL RESOURCES

The Group pays close attention to the impacts of the business of the Group on the environment and natural resources.

In addition to abiding by relevant laws and standards concerning environment and properly protecting the natural environment, the Group also integrates the environmental protection concept into the internal management. As mentioned above, the Group has taken various environmental protection and energy-saving measures during the daily operations to conduct effective management on the emission of waste gas, waste water and solid waste. With regard to the noise management, the Group also tries to use the low-noise equipment in the production plant to reduce the emissions of noise. If any high-noise equipment is used as necessary, the Group would put the crash pad at the bottom of the equipment to reduce the noise.

The Group has obtained the ISO14001:2015 Environmental Management System Certification Certificate (環境管理體系認證證書), which formulates and implements relevant environment-related policies and objectives. The Group will review and investigate the system regularly to ensure the soundness and feasibility of the system so as to lead the Group to fully comply with all environmental protection regulations and meet the required environmental protection standards.

In order to further enhance the environmental consciousness of the enterprise and cultivate the environmental protection culture, the Group will regularly review and improve its business operation mode and evaluate its environment and natural resource policies to make more contributions to the communities where it operates in more effective modes including implementing more energy-saving measures.

7 The production volume unit only covered the data derived from the place of Jiangshan's operation, because the water tariffs in other locations of operation were included in the management fees and thus no relevant data had been collected.

8 The area only covered the data derived from the place of Jiangshan's operation, because the water tariffs in other locations of operation were included in the management fees and thus not involved in the calculation of intensity.

Environmental, Social and Governance Report (continued)

A4. CLIMATE CHANGE

In response to international concerns about climate change, the Group has included climate change-related risks as one of the environmental, social and governance issues and has made relevant disclosures in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures.

Analysis on the potential financial risks and opportunities of the Group arising from climate change and it's response strategies thereof are as follows:

Potential opportunity	Potential financial impact Low Medium High	Short term (the Reporting Year)	Medium term (one to three years)	Long term (four to ten years)	Practice strategy
Products and services	Increase revenue through demand for sustainable energy products from certain companies and markets as they are transitioning to a low carbon economy				Continue to research and develop and maintain the quality of sustainable energy products to further expand the market and increase demand

Risk Category	Potential financial impact Low Medium High	Short term (the Reporting Year)	Medium term (one to three years)	Long term (four to ten years)	Response strategy
Physical risk	Acute Extreme weather conditions such as flooding intensify resulting in loss of assets or supply chain disruptions, or extreme weather conditions that may affect daily operations due to the business need to work outdoors				Develop safety standards and contingency plans to deal with extreme weather conditions
	Chronic Persistent high temperatures lead to increased electricity consumption, which in turn affects operating costs				Adopt energy-saving policies and green measures to avoid over-consumption of natural resources
Transition risk	Policies and Regulations More stringent climate policies and regulations may increase compliance and operating costs				Strict implementation of emission reduction measures to maintain low emission levels

Environmental, Social and Governance Report (continued)

B. SOCIAL

The Group regards talents as the most precious assets. It strives to offer the employees a safe and comfortable working environment and related training, and build a cooperative and friendly working environment with its staff. In addition, the Group provides comprehensive and competitive remuneration packages and benefits to attract talents and retain employees with outstanding performance.

B1. EMPLOYMENT

The Group strictly abides by relevant Chinese laws and regulations concerning labour, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), etc.

The Group has formulated the Staff Handbook (《員工手冊》) and Human Resource Management System (《人力資源管理制度》) in accordance with relevant labour regulations, covering aspects of human resource policies and working conditions, such as recruitment and promotion procedures, dismissal procedures, training, performance assessment, remuneration and benefits, working hours, vacations and other holidays (including marriage leave, compassionate leave and maternity leave), etc.

The Group attaches importance to employees and strives to offer equal opportunities for employees with different backgrounds. It recruits and promotes employees based on the performance of employees following the principle of openness, fairness and justice, regardless of the skin colour, descent, race, gender, age, nationality and religion, etc. All the candidates and existing employees of the Group are entitled to equal opportunities and fair treatment. The Group values the diversified backgrounds of employees, and welcomes talents with different characteristics joining the Group to make contributions to the Group. In addition, with emphasis on the rest time of ours employees, the Group adopts the working system of five days per week and 7.5 hours per day. If there are any needs for overtime work, the Group provides relevant remuneration or arranges the leaves in lieu for employees according to the national regulations. To ensure that employees enjoy their due benefits, the Group also entitles its employees to due public holidays (including national statutory holidays) and other holidays, as well as reasonable remuneration, five social insurances and one housing fund, various allowances (such as communication expenses and meal fees) and year-end bonuses in accordance with national regulations. When employees resign, the Human Resource Department of the Group will calculate the salary for employees who will confirm the final salary, and handle relevant resignation procedures.

The Group deems that employees are the foundation of the Group, and the enterprise achievements and progress shall be attributed to the concerted efforts of all employees. Therefore, the Group will make unremitting efforts to evaluate the internal mechanism, and share its achievements with employees by means of performance incentives, training and promotions.

During the Reporting Year, the Group strictly abided by relevant Chinese laws and regulations concerning labour.

Environmental, Social and Governance Report (continued)

For the year ended 31 March 2023, the breakdown of employees by gender, age group, rank and region is set out below:

	Year ended 31 March 2023	Year ended 31 March 2022
Total number of employees	**128**	99
Total number of employees by gender (person)		
Female	**36**	30
Male	**92**	69
Total number of employees by age group (person)		
<25	**9**	5
25-29	**22**	15
30-39	**49**	48
40-49	**22**	14
>50	**26**	17
Total number of employees by employee category (person)		
Junior staff	**113**	77
Senior staff	**8**	18
Management	**7**	4
Total number of employees by geographical region (person)		
Mainland China	**128**	99
Hong Kong	**0**	0
Total number of employees by employment type (person)		
Full time	**128**	99
Part time	**0**	0

Environmental, Social and Governance Report (continued)

For the year ended 31 March 2023, the breakdown of employee turnover rate by region, age group and gender is set out below:

	Year ended 31 March 2023	Year ended 31 March 2022
Total employee turnover rate	**8**	19
The employee turnover rate by gender (percentage)		
Female	**3**	13
Male	**10**	22
The employee turnover rate by age group (percentage)		
<25	**44**	60
25-29	**0**	20
30-39	**8**	19
40-49	**9**	7
>50	**0**	18
The employee turnover rate by region (percentage)		
Mainland China	**8**	19
Hong Kong	**0**	0

DIVERSITY POLICY

The Group attaches importance to the principle of non-discriminatory governance and is committed to creating a diverse working environment. In respect of the composition of the Board of Directors, the procedure for nomination of directors has been established at present, and shareholders of the Group may recommend any eligible person for election as a director. According to the internal guidance, candidates shall be recommended based on different backgrounds and expertise, and those ultimately elected shall have at least one male director and one female director to achieve board diversity. Currently, the Board of Directors of the Group comprises 4 male directors and 2 female directors.

In addition to the Board of Directors, we also implement a non-discrimination and diversity policy for the working environment of general employees. The current employee structure of the Group includes both male and female employees, who are entitled to the same job development opportunities and benefits. For instance, male employees and female employees can receive the same training. We will continue to deepen our diversity policy in the future, including seeking to increase the proportion of female employees in the employee structure.

B2. HEALTH AND SAFETY

The Group attaches importance to employees' health and safety, and strictly abides by relevant laws and regulations such as the "Labour Law of the People's Republic of China (《中華人民共和國勞動法》)", the "Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》)" and the "Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》)".

The Group aims to create and provide a safe, healthy and comfortable working environment for employees, and has formulated a guidance for occupational health and safety entitled "Occupational Health and Safety Management Manual (《職業健康安全管理手冊》)" and a set of safe production and operation procedures to guarantee the physical and mental health of employees and reduce accidents occurred at workplaces. The Group has also obtained the OHSAS18001:2007 "Occupational Health and Safety Management System Certification Certificate (《職業健康安全管理體系認證證書》)". Safe operation rules are strictly implemented to reduce and prevent any deaths or losses of property and time due to accidents.

For instance, the Group offers on-the-job training and safety education and guidance for newly recruited employees in order to enable them to effectively perform the job responsibilities and obtain necessary knowledge and skills. Employees are allowed to work at the post only when they pass the appraisal, and those at special posts (such as electricians and welders) are required to obtain corresponding professional qualifications and receive relevant specialized training. The Group will also continuously arrange the occupational health and safety training for employees, in a bid to enhance the technological level of employees, guarantee the production safety, and prevent the occurrence industrial accidents.

The installation of most photovoltaic equipment and accessories of the Group can be easily carried out without using complicated or large-scale equipment. The Group will entrust contractors with the engineering using large-scale equipment. Upon commencement of construction, the Group will continuously arrange safety management staff to conduct on-site supervision and offer guidance. Employees are also required to wear suitable labour protective articles (such as safety helmet).

In terms of working environment, we are committed to providing employees with an ideal and safe working environment and taking all appropriate measures to protect the health and safety of employees. The Group conducts regular inspections of fire-fighting equipment and records the inspection results in the Fire Safety Inspection Record to ensure that fire-fighting equipment can operate normally in the event of a fire and reduce the spread of fire to protect the safety of employees.

Environmental, Social and Governance Report (continued)

In terms of health care, the Group has made contributions to social insurances (including medical insurance, work-related injury insurance, maternity insurance and etc.) for employees in accordance with the local and national laws and regulations. Employees are also provided with multifaceted physical examinations at the designated hospitals or physical examination centres every two years, which can effectively guarantee the occupational safety and health of employees. In order to ensure the Company's production safety and employees' health, as well as effectively control the infectious diseases and fulfil its social responsibilities, until December 2022 when the epidemic prevention policy was completely relaxed in the Mainland, the Group has formulated the "Manual for Normalized Epidemic Prevention and Control (《應對常態化疫情防控手冊》)", "Emergency Plan for Prevention and Control of Covid-19 (《新型冠狀病毒肺炎防控應急預案》)" and "Guiding Manual for Epidemic Prevention and Control (《疫情防控工作指導手冊》)" in accordance with the relevant prevention and control requirements of the government of the People's Republic of China and the actual situation of the Group.

For instance, regular external construction teams, logistics services and other related personnel are required to strictly perform body temperature check by door guard, health screening and registration before entering into the Group's office building, and each company needs to report the list of external personnel to the Group's security department before resuming work. The Group also requires employees with fever or physical discomfort to notify their department manager in advance and ask for leave to go to the designated hospital for medical treatment, and can get back to work only until they have recovered and had no symptoms after observation.

During the Reporting Year, there was 1 record of work-related injury and resulted in 0.5 lost days in the Group. During the past three years ended 31 March 2023 (including this year), there was no recorded case of work-related fatalities.

	Year ended 31 March 2023	Year ended 31 March 2022	Year ended 31 March 2021
Work-related fatalities	**0**	0	0

Environmental, Social and Governance Report (continued)

B3. DEVELOPMENT AND TRAINING

The Group emphasises the importance of talent training, and firmly believes that the technology and experience of its employees are critical elements for the long-term development of the Group. Therefore, the Group has formulated the Human Resource Management System (《人力資源管理制度》) and the Staff Handbook (《員工手冊》) covering its training objectives, plans and management, and strives to enhance the performance of its employees through effective training, tutorship and on-the-job development. In addition, the Group formulates an Annual Training Plan (《年度培訓計劃》) each year to ensure that employees from different departments and ranks receive adequate training opportunities.

The training of the Group is mainly divided into internal training and external training. Necessary internal training is provided for relevant operation posts in response to the development needs of the enterprise. The training contents include new employee orientation program, on-the-job training for each department, technical operation, mechanical software application and safety knowledge, etc., which can help employees better adapt to the operations of the Group. For instance, the Group arranges trainings on photovoltaic mounting brackets and electrical knowledge for the Purchase Department, introduces changes in photovoltaic policies and market trends and project development directions during the year for the Project Development Department, and offers training courses relating to financial management, fund management, tax regulations and financial system application for the Financial Department.

The Group also engages external training tutors to offer specialised training for its technical talents at technical posts and special types of work. In addition, the Group encourages managers of each department to recommend high-potential employees to attend external training and development programs according to work needs, so as to further improve the working skills and professional knowledge of its employees. Necessary funds will be provided by the Group according to the relevance of the training contents with the knowledge required for employees' posts.

During the Reporting Year, as the COVID-19 lasted until the end of the year, fewer employees were present in the Company, and the number of training organized was also significantly reduced, resulting in a significant decrease in total training hours as compared to last year. The Group's employees have in aggregate participated in approximately 1,099 hours of internal training, representing a decrease of approximately 72% as compared to last year.

	Year ended 31 March 2023	Year ended 31 March 2022
Total training hours (hour)	**1,099**	3,995

Environmental, Social and Governance Report (continued)

For the year ended 31 March 2023, the details of the training held are as follows:

	Year ended 31 March 2023	Year ended 31 March 2022
The number of trained employees by gender (percentage)		
Female	**28**	30
Male	**72**	70
The number of trained employees by employee category (percentage)		
Junior staff	**88**	78
Senior staff	**11**	18
Management	**1**	4
Average training hours (hour)	**8.6**	40.4
Average training hours of employees by gender (hour)		
Female	**7.3**	37.5
Male	**9.1**	41.6
Average training hours of employees by employee category (hour)		
Junior staff	**8.8**	41.4
Senior staff	**13.1**	39.3
Management	**0.4**	25.0

Environmental, Social and Governance Report (continued)

B4. LABOUR STANDARDS

In strict compliance with the relevant requirements of the labour laws, the Group requires that all job applicants must fulfil the local statutory requirements for age. Any individuals under legal working age or without any identification documents are disqualified from employment by the Group.

To avoid child or forced labour, the Group has implemented strict requirements for employee selection and therefore formulated a set of stringent screening and recruitment procedures. According to the Human Resource Management System (《人力資源管理制度》), the Group requires job applicants to provide personal documents, such as identity card and academic certificate for verification by the HR Department to ensure that the employees are legally qualified for employment. The Group will immediately terminate the contract with the employee if it finds out that the employee has supplied false information.

Besides, upon discovery of any illegal employment of child or forced labour, the Group will dismiss the employee, investigate and impose appropriate punishment on the person held responsible.

During the Reporting Year, the Group did not record any incident of child or forced labour.

B5. SUPPLY CHAIN MANAGEMENT

The Group has strict requirements on the selection of suppliers, and has formulated a written policy and guidance entitled Supplier Management System (《供應商管理制度》), in a bid to enhance the management of environmental and social risks of supply chain, and standardize the supplier management procedures. During the Reporting Year, the Group purchased from 137 suppliers throughout China.

During the selection of potential suppliers, the Purchase Department firstly conducts preliminary assessment of candidate suppliers to understand their enterprise data, product quality, supply capability, quality management, environmental protection and aftersales service; and then asks suppliers to provide material samples, which will undergo the quality testing by the Quality Department or Technology R&D Department. Under normal circumstances, suppliers will be included into the list of recognised suppliers after their samples pass the inspection, and suppliers that consider environmental and social compliance will be more favorable to be accepted as approved suppliers. The Quality Department, Technology R&D Department and Purchase Department will form a supplier investigation team when necessary to conduct on-site investigation of suppliers and submit supplier investigation reports. Newly added suppliers will be included into the list of recognised suppliers upon jointly reviewed by the Purchase Department, Quality Department and Technology R&D Department.

In addition, the Group strictly monitors the performance of suppliers, and appraises the recognised suppliers on semi-annual basis, in order to guarantee the quality of goods supplied by suppliers. The appraisal standards include the quality, date of delivery, price and service quality, etc. The Group will ask the supplier that fails to reach the standards of the Group to make rectifications, and will only continue to make purchase from that supplier until completion of corresponding corrective measures.

Environmental, Social and Governance Report (continued)

B6.1. PRODUCT RESPONSIBILITY

It is deeply believed that good product quality is of vital importance to the sustainable development of the Group, and is the key to success of the Group. Therefore, the Group has always been strictly monitoring the product quality, in order to guarantee that the product quality can satisfy customers' requirements.

The Group's products and services received support and recognition from all walks of life. During the Reporting Year, the Group was awarded as "2022 Provincial Industrial Design Centre" issued by Department of Economy and Information Technology of Zhejiang Province; Quzhou Demonstrative High-skilled Talents (Model Workers) Innovation Studio（衢州市示範性高技能人才（勞模）創新工作室）issued by Quzhou General Labour Union and won the second prize of the 2022 Jiangshan Municipal Government Special Award for Innovation and Growth Award and the second prize of mu average benefit.

The Group has formulated the "Product Quality Inspection Process" (《產品質量檢測過程》) in accordance with the "Product Quality Law of the People's Republic of China" (《中華人民共和國產品質量法》) to standardize the product quality inspection procedures. For example, the Quality Department will carry out quality test before warehousing the purchased raw materials. Raw materials that pass the inspection will be warehoused; and those that fail to pass the inspection will be handled according to the appraisal results. Products out of the warehouse are monitored and inspected by the Quality Control Department. As for the processing entrusted with suppliers, the Group will appoint the Quality Inspector to carry out quality monitoring during the processing by suppliers, so as to guarantee the product safety and prevent the adverse impacts on the health of customers.

Besides, the Group strictly abides by the "Contract Law of the People's Republic of China" (《中華人民共和國合同法》), the "Construction Law of the People's Republic of China" (《中華人民共和國建築法》) and other relevant laws and regulations in the process of installation projects. To ensure project quality, the Group continuously monitors the quality of its projects, appoints designated inspectors to carry out detection in each phase of our works and formulates rectification plans to make relevant rectifications in case of any problems, in order to guarantee the project quality can satisfy requirements. The Group will appoint technicians to carry out system debugging before the project is handed over to our customers, and issue an "Inspection Report（驗收報告單）" to the customers for confirmation with signatures.

Upon receipt of complaints on product quality, date of delivery and service from customers, the Marketing Department firstly analyses the complaints, and then passes the complaints to relevant departments for investigation and follow-up. When handling customer complaints, the Marketing Department will keep close communication and contact with customers, and follow up the implementation and results of the rectification plans with relevant departments on a regular basis, in order to guarantee the customer complaints have been effectively handled. The results of all customer feedbacks handled are recorded in the "After-sale Services Tracking Sheet" (《售後服務處理跟蹤紀錄單》). During the Reporting Year, the Group did not receive any complaints in respect of its products and services.

During the Reporting Year, the Group did not recall any products for safety and health reasons.

B6.2. PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

The Group has applied several patents for its photovoltaic tracking system technology to protect the technology researched and developed by the Group. The R&D Department of the Group is responsible for the patent application. It has formulated a set of procedures for patent application. The Group has also formulated a "Patent Summary Sheet" (《專利匯總表》) to record the patents obtained, current status and annual fees of the relevant patents of the Company. The Group's cooperating law firm will also assist in monitoring issues in relation to patent renewals and payments of fees, etc. The Group has formulated the "Patent Management System" (《專利管理制度》) in accordance with the "Patent Law of the People's Republic of China " (《中華人民共和國專利法》) , the "Civil Code of the People's Republic of China" (《中華人民共和國民法典》) and other relevant laws and regulations to monitor and manage the planning of patents and intellectual property rights and related risks.

Furthermore, for the purpose of preventing the technologies researched and developed by the Group from being used without authorization or improperly used, the Group has entered into a confidentiality agreement with its employees, and formulated the "Staff Handbook (《員工手冊》) ", stipulating that employees shall fulfil confidentiality responsibilities and may not divulge any confidential information (such as technologies researched and developed) of the Group to any third parties without permission. In addition, the Group strictly forbids R&D staff to take away any technologies researched and developed when they leave office by such means as deleting the computer accounts of relevant R&D staff, so as to prevent the data of the Group from being divulged.

During the Reporting Year, the Group did not identify any infringement or unauthorized use of our patents.

B6.3. PRIVACY

The Group highly recognizes the importance of personal data to business and personal privacy and has strictly implemented the "Personal Information Protection Law (《個人信息保護法》) ". Therefore, personnel of the Marketing Department have been designated for the updating and maintenance of customer information of the Group, in order to protect the privacy of consumers. Other persons are strictly forbidden to copy or back up customer data without permission. Prior consent and acknowledgement from customers shall be required when it is necessary for relevant staff of the Group to provide such customer data in the external exchange and cooperation.

B7. ANTI-CORRUPTION

The Group highly values the specialty and integrity of employees. It strives to adopt good business moral standards, and follow the concept of good faith, fairness and justice.

The Group strictly abides by the "Criminal Law of the People's Republic of China" (《中華人民共和國刑法》) and the "Anti-Unfair Competition Law of the People' s Republic of China" (《中華人民共和國反不正當競爭法》) and prohibits any corruption, defraud, money laundering, bribery and blackmail.

Environmental, Social and Governance Report (continued)

To cultivate a clean and efficient working atmosphere, the Group has formulated the "Anti-corruption and Self-discipline Management System" (《公司廉潔自律管理制度》) and "Staff Handbook" (《員工手冊》), which standardize the employees' behaviours and specify the procedures for handling gifts received by employees. For example, if an employee who receives a gift at work from an external unit shall hand over the gift to the Administration Department for treatment within three working days. In addition, employees shall sign the "Letter of Commitment of Anti-corruption and Self-discipline" (《員工廉潔自律承諾書》), covenanting that they will respect justice and abide by relevant laws, and will not seek for improper interests by taking advantages of the duty and power.

The Group has established good communication channels with employees. If employees find out or suspect corruption or immoral behaviours, they may report via the complaint box established by the Group. The Supervision Department of the Group will carry out investigation and verification according to the report contents, and handle with them according to actual situations.

During the Reporting Year, the Group was not involved in any lawsuits related to bribery, blackmail, defraud or money laundering. The Group has provided 1 session of training on "Criminal Risk Prevention for Private Enterprises" (《民營企業刑事法律風險防範》) on business ethics, including anti-corruption to employees during the Year, which was conducted by the deputy director of the Jiangshan Procuratorate, in order to raise employees' awareness of the Company's criminal risks and to enhance the ability of enterprises to prevent criminal risks and occupational crimes. The Group closely monitors the regulation on anti-corruption and will arrange extra trainings for directors and employees as and when required.

B8. COMMUNITY INVESTMENT

At present, the Group has not formulated any policies on community investment. However, the Group is deeply aware of the significance of contributions to the society. Therefore, it makes great endeavour to provide occupational development opportunities for local people, enhance the social and economic development, and recruit employees with the remuneration packages consistent with the market, so as to share the operation achievements with local residents.

During the Reporting Period, the Group did not organise any community and charity events due to the ongoing COVID-19 and public health issues. In view of the COVID-19 pandemic improved and the pandemic-related restrictions were lifted, the Group will explore opportunities and organise relevant activities to serve the community.

Adhering to the corporate concept of "creating and sharing together with Tonking", the Group will greatly develop the photovoltaic industry based on its technological innovation advantages, and integrate the environmental and social factors into the investment decision-making process and operation management with reference to the best practice of the industry and the environmental, social and governance standards recognised in Hong Kong.

THE STOCK EXCHANGE'S ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING INDICATOR INDEX

Aspect (KPI)	Description	Report Section	Remarks
A. Environmental			
A1 Emissions			
General Disclosure	Information on: (A) the policies; and (B) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	*Emissions*	
A1.1	The types of emissions and respective emissions data.	*Emissions*	
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	*Emissions*	
A1.3	Total hazardous waste produced and intensity.	*N/A*	*Little hazardous waste is produced during our daily operation as the business of the Group does not involve in direct production.*
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	*Emissions*	
A1.5	Description of emissions target(s) set and steps taken to achieve them.	*Emissions*	
A1.6	Description of how hazardous and nonhazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	*Emissions*	

Environmental, Social and Governance Report (continued)

Aspect (KPI)	Description	Report Section	Remarks
A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	*Use of Resources*	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kwh in '000s) and intensity (e.g. per unit of production volume, per facility).	*Use of Resources*	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	*Use of Resources*	
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	*Use of Resources*	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	*Use of Resources*	
A2.5	Total packaging material used for finished products and with reference to per unit produced.	*N/A*	*Little packaging material is produced during our daily operation as the business of the Group does not involve in direct production and packaging.*

Environmental, Social and Governance Report (continued)

Aspect (KPI)	Description	Report Section	Remarks
A3: Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	*Our Green Actions*	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	*Environment and Natural Resources*	
A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	*Climate Change*	
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	*Climate Change*	
B. Social			
B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	*Employment*	
B1.1	Total workforce by gender, employment type, age group and geographical region.	*Employment*	
B1.2	Employee turnover rate by gender, age group and geographical region.	*Employment*	

Environmental, Social and Governance Report (continued)

Aspect (KPI)	Description	Report Section	Remarks
B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the Reporting Year.	*Health and Safety*	
B2.2	Lost days due to work injury.	*Health and Safety*	
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	*Health and Safety*	
B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	*Development and Training*	
B3.1	Percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	*Development and Training*	
B3.2	The average training hours completed per employee by gender and employee category.	*Development and Training*	

Environmental, Social and Governance Report (continued)

Aspect (KPI)	Description	Report Section	Remarks
B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	*Labour Standards*	
B4.1	Description of measures to review employment practices to avoid child and forced labour.	*Labour Standards*	
B4.2	Description of steps taken to eliminate such practices when discovered.	*Labour Standards*	
B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	*Supply Chain Management*	
B5.1	Number of suppliers by geographical region.	*Supply Chain Management*	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	*Supply Chain Management*	
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	*Supply Chain Management*	
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	*Supply Chain Management*	

Environmental, Social and Governance Report (continued)

Aspect (KPI)	Description	Report Section	Remarks
B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	*Product Responsibility*	
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	*Product Responsibility*	
B6.2	Number of products and service related complaints received and how they are dealt with.	*Product Responsibility*	
B6.3	Description of practices relating to observing and protecting intellectual property rights.	*Protection of Intellectual Property Rights*	
B6.4	Description of quality assurance process and recall procedures.	*Product Responsibility*	
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	*Privacy*	

Environmental, Social and Governance Report (continued)

Aspect (KPI)	Description	Report Section	Remarks
B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	*Anti-corruption*	
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	*Anti-corruption*	
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	*Anti-corruption*	
B7.3	Description of anti-corruption training provided to directors and staff.	*Anti-corruption*	
B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	*Community Investment*	
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	*Community Investment*	
B8.2	Resources contributed (e.g. money or time) to the focus area.	*Community Investment*	

Independent Auditor's Report

MOORE

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大華馬施雲
會計師事務所有限公司

To the Shareholders of
Tonking New Energy Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Tonking New Energy Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 78 to 147, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Revenue recognition from contracts with customers

Refer to Notes 3, 4 and 5 to the consolidated financial statements.

The Group had revenue from contracts with customers of approximately HK$688,965,000 for the year. Among which, approximately HK$397,104,000 was recognised on over time basis using input method, based on costs incurred, to measure the progress towards complete satisfaction of the provision of one-stop value added solution for photovoltaic power stations, which involves significant management judgement and estimation, in particular the costs to completion of each project.

The Group recognises the revenue from provision of one-stop value added solution for photovoltaic power station by reference to the progress towards complete satisfaction of the relevant performance obligation using input method, measured based on the proportion of the contract costs incurred for work performed to date relative to the estimated total contract costs. The Group reviews and revises the estimates of contract costs in the budget prepared for each contract as the contract progresses.

We identified the revenue recognition on the revenue from provision of one-stop value added solution for photovoltaic power station as a key audit matter due to the significant judgement exercised by the management of the Company in determining the total contract costs and contract costs incurred for work performed to date.

Our audit procedures in relation to the revenue from provision of one-stop value added solution for photovoltaic power station mainly included:

- Obtaining an understanding of the Group's revenue recognition policy and evaluating management's key internal controls for the Group's cost budgeting process for its projects for provision of one-stop value added solution for photovoltaic power stations and cost accumulation process for the projects;
- Inspecting, on a sampling basis, the signed contracts, variation orders, invoices, payment evidence and other correspondences with the customers to assess the reasonableness of the management's estimates of total contract sum for each project;
- Obtaining an understanding from management about how the cost budgets for the projects were prepared and the respective progress towards completion were determined;
- Evaluating, on a sampling basis, the accuracy of direct costs recognised to date by checking to the supplier invoices and delivery notes of construction material consumed, invoices or payment application from sub-contractors, payroll records on staff costs or other supporting documents to evaluate the progress of respective projects;
- Performing comparisons between the percentage of completion and the percentage of progress billings on selected contracts for any significant differences; and
- Checking the progress billings to invoices issued.

Independent Auditor's Report (continued)

KEY AUDIT MATTERS (continued)

Impairment assessment of trade and bills receivables, contract assets and other receivables

Refer to Notes 3, 4, 18, 19, 20 and 35 to the consolidated financial statements.

As at 31 March 2023, the Group's net trade and bills receivables, contract assets and other receivables amounted to approximately HK$184,696,000, HK$126,672,000 and HK$49,279,000 respectively, representing approximately 35.8%, 24.5% and 9.5% of the total assets of the Group respectively. The Group's aggregate expected credit loss ("ECL") on trade and bills receivables, contract assets and other receivables as at 31 March 2023 amounted to approximately HK$9,228,000, HK$1,791,000 and HK$2,013,000, respectively.

The management of the Company performed periodic assessment on the recoverability of the trade and bills receivables, contract assets and other receivables and the sufficiency of the allowance for ECL.

Management's estimate of the amount of ECL for trade and bills receivables, contract assets and other receivables was based on the credit risk of respective trade and bills receivables, contract assets and other receivables after considering the credit profile of respective customers/debtors, ageing analysis, historical settlement records, and on-going trading relationship with the relevant customers. The management also considered the forward-looking information that may impact the customers'/debtors' ability to repay the outstanding balances.

We identified impairment assessment of trade and bills receivables, contract assets and other receivables as a key audit matter due to the involvement of subjective judgement and estimates of the management of the Company in determining the ECL of the Group's trade and bills receivables, contract assets and other receivables at the end of the reporting period.

Our audit procedures in relation to assessment of ECL on trade and bills receivables, contract assets and other receivables mainly included:

- Obtaining an understanding of key process on how the management estimates the ECL of trade and bills receivables, contract assets and other receivables;
- Challenging the management's assessment of the recoverability of long outstanding and overdue trade and other receivables;
- Challenging management's basis and judgement in determining ECL on trade and bills receivables, contract assets and other receivables as at 31 March 2023, including their identification of credit-impaired trade and bills receivables, contract assets and other receivables, the reasonableness of management's grouping of the remaining customers/debtors into different categories, and the basis of estimated loss rates applied in each category (with reference to historical default rates and forward-looking information);
- Testing the working paper files prepared by management's expert to calculate the ECL and checking the information included in the working paper files; and
- Evaluating the appropriateness of the valuation methodology adopted by the management of the Company and the reasonableness of assumptions, including loss rates and forward-looking information applied by the management of the Company.

Independent Auditor's Report (continued)

INFORMATION OTHER THAN THE CONSOLIDATE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report (continued)

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Moore Stephens CPA Limited
Certified Public Accountants

Ng Ngai Yan
Practising Certificate Number: P07422

Hong Kong, 26 June 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	5	**688,965**	240,524
Costs of sales		**(616,789)**	(196,124)
Gross profit		**72,176**	44,400
Other income and gains, net	6	**1,892**	3,300
Provision for credit loss allowances on trade receivables, net	18	**(468)**	(7,958)
Provision for credit loss allowances on other receivables	19	**(1,323)**	(734)
Provision for credit loss allowances on contract assets	20	**(1,682)**	(104)
Administrative and other operating expenses		**(29,381)**	(30,774)
Finance costs	7	**(3,945)**	(3,187)
Profit before income tax	8	**37,269**	4,943
Income tax (expense)/credit	11	**(8,219)**	1,627
Profit for the year		**29,050**	6,570
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(22,479)**	11,727
Other comprehensive (loss)/income for the year, net of income tax		**(22,479)**	11,727
Total comprehensive income for the year		**6,571**	18,297
Profit for the year attributable to:			
Owners of the Company		**27,633**	5,497
Non-controlling interests		**1,417**	1,073
		29,050	6,570
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**6,808**	16,310
Non-controlling interests		**(237)**	1,987
		6,571	18,297
Earnings per share attributable to the owners of the Company			
– Basic and diluted (HK cents)	13	**3.38**	0.67

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	14	**33,734**	38,328
Right-of-use assets	15	**4,875**	5,745
Intangible assets	16	**3,775**	4,960
Deferred tax assets	26	**3,057**	2,367
		45,441	51,400
Current assets			
Inventories	17	**16,893**	13,796
Trade and bills receivables	18	**184,696**	208,380
Prepayments, deposits and other receivables	19	**72,556**	68,662
Contract assets	20	**126,672**	37,848
Amounts due from related parties	21	**594**	284
Restricted bank deposits	22	**14,614**	8,237
Cash and cash equivalents	22	**54,617**	34,582
		470,642	371,789
Current liabilities			
Trade and bills payables	23	**121,522**	53,029
Other payables and accruals	24	**11,717**	13,401
Matured promissory note	24	**46,104**	44,664
Contract liabilities	20	**14,635**	5,259
Amounts due to related parties	21	**11,180**	11,010
Bank borrowings	25	**50,072**	40,761
Lease liabilities	15	**32**	33
Tax payable		**2,789**	848
		258,051	169,005
Net current assets		**212,591**	202,784
Total assets less current liabilities		**258,032**	254,184
Non-current liabilities			
Lease liabilities	15	**2,122**	2,328
Net assets		**255,910**	251,856
Equity			
Share capital	27	**8,180**	8,180
Reserves	28	**228,256**	221,448
Equity attributable to the owners of the Company		**236,436**	229,628
Non-controlling interests		**19,474**	22,228
Total equity		**255,910**	251,856

The consolidated financial statements on pages 78 to 147 were approved and authorised for issue by the board of directors on 26 June 2023 and are signed on its behalf by:

Wu Jian Nong
Director

Shen Meng Hong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Attributable to owners of the Company							
	Share capital HK$'000 (Note 27)	**Share premium** HK$'000 (Note 28)	**Statutory reserves** HK$'000 (Note 28)	**Exchange fluctuation reserves** HK$'000 (Note 28)	**Retained earnings** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000 (Note 30)	**Total equity** HK$'000
At 1 April 2021	8,180	71,725	11,101	2,869	119,443	213,318	22,671	235,989
Profit for the year	–	–	–	–	5,497	5,497	1,073	6,570
Other comprehensive income for the year	–	–	–	10,813	–	10,813	914	11,727
Total comprehensive income for the year	–	–	–	10,813	5,497	16,310	1,987	18,297
Transfer to statutory reserves	–	–	1,784	–	(1,784)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	(2,430)	(2,430)
At 31 March 2022 and 1 April 2022	8,180	71,725	12,885	13,682	123,156	229,628	22,228	251,856
Profit for the year	–	–	–	–	27,633	27,633	1,417	29,050
Other comprehensive loss for the year	–	–	–	(20,825)	–	(20,825)	(1,654)	(22,479)
Total comprehensive income for the year	–	–	–	(20,825)	27,633	6,808	(237)	6,571
Transfer to statutory reserves	–	–	6,661	–	(6,661)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	(2,517)	(2,517)
At 31 March 2023	8,180	71,725	19,546	(7,143)	144,128	236,436	19,474	255,910

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Profit before income tax		37,269	4,943
Adjustments for:			
Investment income from wealth management products	6	–	(528)
Bank interest income	6	(728)	(224)
Finance costs	7	3,945	3,187
Gain on disposal of property, plant and equipment	6	(2)	(47)
Depreciation of property, plant and equipment	8	2,740	2,885
Depreciation of right-of-use assets	8	441	468
Amortisation of intangible assets	8	817	891
Provision for credit loss allowances on trade receivables, net	8	468	7,958
Provision for credit loss allowances on other receivables	8	1,323	734
Provision for credit loss allowances on contract assets	8	1,682	104
Operating cash flows before movements in working capital		47,955	20,371
Increase in inventories		(4,128)	(2,142)
Decrease in trade and bills receivables		7,705	47,690
Increase in prepayments, deposits and other receivables		(10,338)	(39,504)
Increase in contract assets		(93,409)	(17,768)
Increase in amounts due from related parties		(331)	(264)
Increase/(decrease) in trade and bills payables		72,509	(677)
(Decrease)/increase in other payables and accruals		(763)	8,372
Increase/(decrease) in contract liabilities		9,777	(1,586)
Increase/(decrease) in amounts due to related parties		170	(192)
Cash generated from operations		29,147	14,300
Income tax (paid)/refund		(7,080)	122
Net cash generated from operating activities		22,067	14,422

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from investing activities			
Interest received		728	224
Increase in pledged deposits		(6,997)	(3,768)
Purchases of wealth management products		–	(104,253)
Proceeds from redemption of wealth management products		–	104,779
Purchases of property, plant and equipment		(1,147)	(852)
Addition of right-of-use assets		–	(3,766)
Proceeds from disposal of property, plant and equipment		150	127
Net cash used in investing activities		(7,266)	(7,509)
Cash flows from financing activities			
Proceeds from bank borrowings	32	50,072	40,097
Prepayment of bank borrowings	32	(37,726)	(28,919)
Interest paid on bank borrowings	32	(2,376)	(1,609)
Prepayment of lease liabilities – principal	32	(205)	(31)
Prepayment of lease liabilities – interest	32	(129)	(138)
Dividends paid to non-controlling interests		(2,517)	(2,430)
Net cash generated from financing activities		7,119	6,970
Net increase in cash and cash equivalents		21,920	13,883
Cash and cash equivalents at the beginning of the year		34,582	20,196
Effect of foreign exchange rate changes, net		(1,885)	503
Cash and cash equivalents at the end of the year		54,617	34,582

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 was changed from Room 1302, 13th Floor, Chevalier House, 45-51 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong to Room 701, 7th Floor, Peninsula Centre, 67 Mody Road, Tsimshatsui, Kowloon, Hong Kong with effect from 30 September 2022. The Group's principal activity is the renewable energy business in the People's Republic of China (the "PRC").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 31. 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 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. Certain comparative figures have been reclassified in order to conform with current year's presentation.

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. The major sources of estimation uncertainty are disclosed in Note 4.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Application of amendments to HKFRSs effective from 1 April 2022

In the preparation of the consolidated financial statements for the year ended 31 March 2023, 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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle

In addition, the Group has adopted the Amendments to AG5 (Revised) – Merge Accounting for Common Control Combination.

The application of the amendments to HKFRSs and AG5 in the current year has had no material impact on the Group's consolidated financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The directors of the Company are in the progress of assessing the impact to the Group's consolidated financial performance and position by adopting the new and amendments to HKFRSs. So far the directors of the Company have concluded that the application of them is unlikely to have a significant impact on the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item. When an item of property, plant and equipment is sold, its cost and accumulated depreciation are removed from the consolidated financial statements and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in the consolidated profit or loss.

Depreciation is provided on the straight-line method, based on the estimated economic useful life of the individual assets, as follows:–

Furniture and fixtures	2 years to 5 years
Other equipment	2 years to 5 years
Motor vehicles	2 years to 4 years
Generator and related equipment	5 years to 20 years

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

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

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

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

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated profit or loss when the asset is derecognised.

The Group's intangible assets have finite useful lives. All intangible assets are amortised on a straight-line basis over the estimated useful lives of two to ten years.

Research and development cost

All research costs are charged to the consolidated profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for sale. Its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated profit or loss in the year in which it arises in those expense categories consistent with the function of the impaired assets.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated profit or loss in the year in which it arises.

Leases

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

Group as a lessee

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

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

Leasehold land	9-50 years
Premises	2 years

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

(b) Lease liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

Subsequent changes in the carrying amounts for bills receivable classified at fair value through other comprehensive income as a result of interest income calculated using the effective interest method are recognised in consolidated profit or loss. All other changes in the carrying amount of these bills receivable are recognised in other comprehensive income and accumulated under the heading of fair value through other comprehensive income reserve. Impairment allowances are recognised in consolidated profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these bills receivable. When these bills receivable are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to consolidated profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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

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

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

Financial assets at fair value through profit or loss

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

General approach

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

Simplified approach

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, matured promissory note, amounts due to related parties, bank borrowings and lease liabilities.

Subsequent measurement

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

Financial liabilities at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold or utilised for construction contracts, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Cash and cash equivalents and restricted bank deposits

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

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

Bank deposits which are pledged and restricted to use are included in "restricted bank deposits" in the consolidated statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

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

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

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

Revenue from the provision of photovoltaic power stations construction services is recognised over time, by reference to the progress towards complete satisfaction of the service, because the Group's performance creates or enhances the photovoltaic power stations that the customers control as the photovoltaic power stations are created or enhanced at the customers' designated locations.

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

Sales of the patented photovoltaic tracking mounting bracket systems

Revenue from sales of goods are recognised at point in time when control of the goods has been transferred to the customers. Control is primarily evidenced by taking physical possession and inventory risk of the goods. The Group controls the good before the good is transferred to a customer.

Sales of electricity

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

Revenue from other sources

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Income tax

Income tax represents the sum of current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Other employee benefits

Defined benefit plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Defined benefit plan (continued)

The employees of the subsidiaries within the Group which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government. The contributions are charged to the consolidated profit or loss as they become payable in accordance with the rules of the central pension scheme.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee long service payment

The provision for long service is provided based on the employees' basic salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment.

Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The foreign currencies are currencies other than the HK$. As at the end of each of the reporting period, the assets and liabilities of foreign operation are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of profit or loss are translated into HK$ at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

Fair value measurement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

The following table presents the carrying value of the Group's financial instruments measured at fair value across the three levels of the fair value hierarchy defined in HKFRS 13 Fair Value Measurement with fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2: fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3: fair values measured using significant unobservable input.

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

Borrowing costs

All other borrowing costs are recognised in the consolidated profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the consolidated profit or loss in the period in which they become receivable. Such grants are presented under other income and gains, net.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the Company's parent.

or

(b) An entity is related to the Group if any of the following conditions apply:

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

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statement, are identified from the financial information provided regularly to the executive directors of the Company for the purpose of allocating resources to and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

4. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

Estimated useful lives of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are depreciated on a straight-line basis over the estimated useful lives of the assets, generally from 2 to 20 years and 2 to 10 years (2022: 2 to 20 years and 2 to 10 years), respectively.

The estimated useful lives that the Group depreciates the property, plant and equipment and the intangible assets reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the assets. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore depreciation and impairment losses in future years.

Determining the timing of satisfaction of provision of one-stop value added solution for photovoltaic power stations

The Group concluded that revenue for provision of one-stop value added solution for photovoltaic power stations is recognised over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, by reference to the progress towards complete satisfaction of service which is measured based on input method, which is to recognised revenue on the basis of the Group's efforts to inputs to the satisfaction of a performance obligation relative to the total expected inputs to satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

The Group determined that the input method is the best method in measuring the progress of the construction, based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

Provision for ECLs on trade and bill receivables and contract assets

The Group had measured ECLs for trade and bills receivables and contract assets at lifetime ECLs based on the default rates from international credit rating agencies for relevant industries of debtors, debtor's creditworthiness and ageing of trade receivables, and are adjusted with forward-looking information that is available without undue cost or effort. Details are disclosed in Note 35.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

5. 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 testing); (ii) sales of the patented photovoltaic tracking mounting bracket systems; and (iii) sales of electricity. The executive directors of the Company review the profit for the year of the Group as a whole. Accordingly, no segment information is presented.

Geographical information

The Group's revenue from external customers was derived solely from its operations in the PRC and all 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:

	2023 **HK$'000**	2022 HK$'000
Customer A	**N/A[1]**	51,097
Customer B	**N/A[1]**	35,432
Customer C	**N/A[1]**	34,962
Customer D	**N/A[1]**	29,581
Customer E	**243,531**	N/A[1]
Customer F	**77,924**	N/A[1]
Customer G	**70,181**	N/A[1]

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

5. SEGMENT INFORMATION AND REVENUE (continued)

An analysis of revenue is as follows:

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers		
Provision of one-stop value added solution for photovoltaic power stations	**397,104**	39,062
Sales of the patented photovoltaic tracking mounting bracket systems	**283,586**	193,544
Sales of electricity	**8,275**	7,918
	688,965	240,524

(i) Disaggregated revenue information

	2023 HK$'000	2022 HK$'000
Timing of revenue recognition		
Over time	**397,104**	39,062
At a point in time	**291,861**	201,462
	688,965	240,524

(ii) Performance obligations

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

The Group provides one-stop value added solution to customers including construction of photovoltaic power stations. Such services are recognised as performance obligations satisfied over time as the Group creates or enhances the photovoltaic power stations that the customers control as the photovoltaic power stations are created or enhanced at the customers' designated locations. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Revenue was recognised in input method based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the services.

Sales of the patented photovoltaic tracking mounting bracket systems

Revenue from sales of goods are recognised at point in time when control of the goods has been transferred to the customers. Control is primarily evidenced by taking physical possession and inventory risk of the goods. The Group controls the good before the good is transferred to a customer. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the quality of goods by the customers over a certain period as stipulated in the contracts.

5. SEGMENT INFORMATION AND REVENUE (continued)

(ii) Performance obligations (continued)

Sales of electricity

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

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

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

6. OTHER INCOME AND GAINS, NET

	2023 **HK$'000**	2022 HK$'000
Government subsidies (Note)	**1,118**	2,190
Investment income from wealth management products	**–**	528
Bank interest income	**728**	224
Gain on disposal of property, plant and equipment	**2**	47
Others	**44**	311
	1,892	3,300

Note: During the years ended the 31 March 2023 and 2022, 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.

7. FINANCE COSTS

	2023 **HK$'000**	2022 HK$'000
Interest expense on bank borrowings	**2,376**	1,609
Interest expense on promissory note	**1,440**	1,440
Interest expense on lease liabilities (Note 15)	**129**	138
	3,945	3,187

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

8. PROFIT BEFORE INCOME TAX

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

	2023 HK$'000	2022 HK$'000
Directors' remuneration (Note 9) (Note a)	**2,067**	2,273
Other staff costs (Note a)		
– Salaries, wages, fees and other benefits	**15,512**	9,191
– Retirement benefit scheme contributions (Note c)	**2,151**	1,435
	17,663	10,626
Auditor's remuneration	**700**	700
Amortisation of intangible assets (Note 16) (Note b)	**817**	891
Depreciation of: (Note b)		
– Property, plant and equipment (Note 14)	**2,740**	2,885
– Right-of-use assets (Note 15)	**441**	468
Short-term leases expenses (Note 15)		
– Premises	**9**	18
– Machinery, motor vehicles and other equipment	**2,253**	2,533
Cost of inventories sold recognised as expenses	**244,138**	169,530
Cost of materials used for construction contracts	**223,666**	5,749
Sub-contracting fees included in costs of sales	**132,527**	15,824
Research and development expenditure (Note d)	**6,832**	10,915
Provision for credit loss allowances on trade receivables, net	**468**	7,958
Provision for credit loss allowances on other receivables	**1,323**	734
Provision for credit loss allowances on contract assets	**1,682**	104
Gain on disposal of property, plant and equipment	**(2)**	(47)
Foreign exchange differences, net	**45**	48

Notes:

(a) Total directors' remuneration and other staff costs of approximately HK$5,615,000 (2022: HK$1,768,000) and HK$14,115,000 (2022: HK$11,131,000) have been charged to cost of sales and administrative and other operating expenses respectively for the year ended 31 March 2023.

(b) Total amortisation and depreciation of approximately HK$2,683,000 (2022: HK$2,901,000) and HK$1,315,000 (2022: HK$1,343,000) have been charged to cost of sales and administrative and other operating expenses respectively for the year ended 31 March 2023.

(c) As at 31 March 2023, the Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2022: Nil).

(d) Total research and development expenditure of approximately HK$6,832,000 (2022: HK$10,915,000) has been charged to administrative and other operating expenses for the year ended 31 March 2023.

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of the remuneration paid or payable to the individuals as the directors and the chief executive of the Company during the year are as follows:

	2023 HK$'000	2022 HK$'000
Directors' fees	844	968
Salaries, allowances and benefits in kind	1,132	1,182
Retirement benefit scheme contributions	91	123
	2,067	2,273

	Year ended 31 March 2023			
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Wu Jian Nong (Chief Executive Officer)	544	380	10	934
Ms. Shen Meng Hong	–	376	26	402
Mr. Xu Shui Sheng	–	376	55	431
Sub-total	544	1,132	91	1,767
Independent non-executive directors				
Mr. Zhou Yuan	100	–	–	100
Ms. Wang Xiaoxiong	100	–	–	100
Mr. Yuan Jiangang	100	–	–	100
Sub-total	300	–	–	300
Total	844	1,132	91	2,067

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

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

	Year ended 31 March 2022			
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Wu Jian Nong (Chief Executive Officer)	668	394	41	1,103
Ms. Shen Meng Hong	–	394	41	435
Mr. Xu Shui Sheng	–	394	41	435
Sub-total	668	1,182	123	1,973
Independent non-executive directors				
Mr. Zhou Yuan	100	–	–	100
Ms. Wang Xiaoxiong	100	–	–	100
Mr. Yuan Jiangang	100	–	–	100
Sub-total	300	–	–	300
Total	968	1,182	123	2,273

The executive directors' remuneration shown above were for their services in connection with the management of the affairs of the Company and the Group while the independent non-executive directors' remuneration shown above were for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2022: Nil).

During the years ended 31 March 2023 and 2022, no remuneration was paid by the Group to the directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals included three (2022: three) directors of the Company whose emoluments are included in the disclosure in (Note 9) above. The remuneration of the remaining two (2022: two) individuals was as follows:

	2023 HK$'000	2022 HK$'000
Salaries, allowances and benefits in kind	771	409
Retirement benefit scheme contributions	59	45
	830	454

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

	Number of individuals	
	2023	2022
Nil to HK$1,000,000	2	2

During the year ended 31 March 2023, no remuneration was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2022: Nil).

11. INCOME TAX EXPENSE/(CREDIT)

	2023 HK$'000	2022 HK$'000
The PRC Enterprise Income Tax ("EIT")		
– Current year	8,896	1,445
– Under/(over)-provision in prior year	190	(744)
Deferred tax (Note 26)	(867)	(2,328)
	8,219	(1,627)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

11. INCOME TAX EXPENSE/(CREDIT) (continued)

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax under these jurisdictions during the year ended 31 March 2023 (2022: Nil).

No provision for Hong Kong Profits Tax has been recognised in the consolidated financial statements during the year ended 31 March 2023 as the Group does not have income which arises in, or derived from, Hong Kong (2022: Nil).

The PRC EIT has been provided at the rate of 25% (2022: 25%) on the taxable profits of the Group's subsidiaries in the PRC, except for one of the subsidiaries operating in the PRC which is a qualified small and micro-sized enterprise under Caishui [2019] No. 13 and is eligible for using EIT rate at 5% (2022: 5%) during the year ended 31 March 2023.

Under the EIT Law and Implementation Regulations of the EIT Law, Tonking New Energy Technology (Jiangshan) Limited, one of the wholly-owned subsidiaries of the Company, is allowed for 100% additional tax deduction for qualified research and development costs.

The income tax expense/(credit) for the year can be reconciled to the profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 **HK$'000**	2022 HK$'000
Profit before income tax	**37,269**	4,943
Tax at domestic tax rate 25% (2022: 25%)	**9,317**	1,236
Effect of different tax rates applicable to subsidiaries	**974**	282
Tax effect of income not taxable for tax purpose	**(280)**	(588)
Tax effect of expenses not deductible for tax purpose	**175**	893
Additional tax deduction for research and development expenditure	**(1,281)**	(1,596)
Tax effect of unused tax losses not recognised	**–**	359
Utilisation of unused tax losses not recognised	**(876)**	(1,370)
Others	**–**	(99)
Under/(over)-provision in prior year	**190**	(744)
Income tax expense/(credit)	**8,219**	(1,627)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

12. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 March 2023, nor has any dividend been declared or proposed since the end of the reporting period (2022: Nil).

13. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

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

	2023	2022
Profit		
Profit for the year attributable to the owners of the Company for the purpose of basic earnings per share (in HK$'000)	**27,633**	5,497
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**818,000,000**	818,000,000

There were no potential ordinary shares in issue for the year ended 31 March 2023 (2022: Nil).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Other equipment HK$'000	Motor vehicles HK$'000	Generator and related equipment HK$'000	Total HK$'000
Cost					
At 1 April 2021	3,348	814	1,591	47,290	53,043
Additions	833	19	–	–	852
Disposal	(131)	(20)	–	–	(151)
Exchange realignment	147	34	66	1,951	2,198
At 31 March 2022 and 1 April 2022	4,197	847	1,657	49,241	55,942
Additions	366	196	585	–	1,147
Disposal	(279)	(3)	(58)	–	(340)
Exchange realignment	(308)	(63)	(124)	(3,667)	(4,162)
At 31 March 2023	**3,976**	**977**	**2,060**	**45,574**	**52,587**
Accumulated depreciation					
At 1 April 2021	1,684	579	1,470	10,438	14,171
Charge for the year (Note 8)	480	68	16	2,321	2,885
Disposal	(52)	(19)	–	–	(71)
Exchange realignment	74	25	61	469	629
At 31 March 2022 and 1 April 2022	2,186	653	1,547	13,228	17,614
Charge for the year (Note 8)	420	64	70	2,186	2,740
Disposal	(134)	(3)	(55)	–	(192)
Exchange realignment	(158)	(49)	(115)	(987)	(1,309)
At 31 March 2023	**2,314**	**665**	**1,447**	**14,427**	**18,853**
Net carrying amount					
At 31 March 2023	**1,662**	**312**	**613**	**31,147**	**33,734**
At 31 March 2022	2,011	194	110	36,013	38,328

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group as a lessee

The Group has lease contracts for various items including premises, leasehold lands, machinery, motor vehicles and other equipment for its operations. Leases of leasehold lands are with lease periods of 9 to 50 years (2022: 9 to 50 years), either by lump sum payments made upfront or corresponding lease liabilities recognised. Lease of premise has a lease term of 2 years (2022: 2 years).

Machinery, motor vehicles and other equipment generally has lease terms of 12 months or less and/or is individually of low value which lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

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

	Leasehold lands	**Premises**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 April 2021	132	1	133
Addition	5,982	–	5,982
Depreciation charge (Note 8)	(467)	(1)	(468)
Exchange realignment	98	–	98
At 31 March 2022 and 1 April 2022	5,745	–	5,745
Depreciation charge (Note 8)	(441)	–	(441)
Exchange realignment	(429)	–	(429)
At 31 March 2023	**4,875**	**–**	**4,875**

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

	2023	2022
	HK$'000	HK$'000
Interest expenses on lease liabilities (Note 7)	**129**	138
Depreciation of right-of-use assets (per above)	**441**	468
Expense relating to short-term leases (Note 8)	**2,262**	2,551
Total amount recognised in consolidated profit or loss	**2,832**	3,157

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The Group as a lessee (continued)

Lease liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

	31 March 2023		31 March 2022	
	Present value of the minimum lease payment HK$'000	Minimum lease payment HK$'000	Present value of the minimum Lease payment HK$'000	Minimum lease payment HK$'000
Lease liabilities payable:				
– Within one year	32	160	33	172
– Within a period of more than one year but not exceeding two years	34	160	35	172
– Within a period of more than two years but not exceeding five years	132	495	127	526
– Over five years	1,956	3,275	2,166	3,720
	2,154	4,090	2,361	4,590
Less: Future finance charges		(1,936)		(2,229)
Present value of lease liabilities		2,154		2,361
Analysed into:				
Current portion		32		33
Non-current portion		2,122		2,328
		2,154		2,361

The incremental borrowing rate applied to lease liabilities were 5.9% (2022: 5.9%). All leases are entered at fixed price.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

16. INTANGIBLE ASSETS

	Patent (Note) HK$'000	Computer software HK$'000	Total HK$'000
Cost			
At 1 April 2021	8,545	1,280	9,825
Exchange realignment	352	53	405
At 31 March 2022 and 1 April 2022	8,897	1,333	10,230
Exchange realignment	(663)	(99)	(762)
At 31 March 2023	**8,234**	**1,234**	**9,468**
Accumulated amortisation			
At 1 April 2021	2,911	1,280	4,191
Charge for the year (Note 8)	891	–	891
Exchange realignment	135	53	188
At 31 March 2022 and 1 April 2022	3,937	1,333	5,270
Charge for the year (Note 8)	817	–	817
Exchange realignment	(295)	(99)	(394)
At 31 March 2023	**4,459**	**1,234**	**5,693**
Net carrying amount			
At 31 March 2023	**3,775**	**–**	**3,775**
At 31 March 2022	4,960	–	4,960

Note: The patent of the Group relates to development costs for development activities carried out by Tongjing New Energy Technology (Shanghai) Co., Ltd. and incurred between November 2016 and January 2017, for which the Group successfully obtained the patent in relation to photovoltaic tracking mounting bracket systems. The validity period of this patent is 10 years, and the Group has amortised it using the straight-line method during this validity period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

17. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	**16,893**	13,796

18. TRADE AND BILLS RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables, gross	**176,054**	200,200
Less: Provision for credit loss allowances on trade receivables	**(9,228)**	(9,466)
Trade receivables, net	**166,826**	190,734
Bills receivables	**17,870**	17,646
Total trade and bills receivables, net	**184,696**	208,380

The Group granted credit periods from 30 to 90 days (2022: 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 (2022: 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") 11,948,000(equivalent to approximately HK$13,659,000) (2022: RMB23,400,000 (equivalent to approximately HK$28,903,000)) 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. The Group received tariff subsidy of RMB14,525,000(equivalent to approximately HK$16,605,000) during the year ended 31 March 2023 (2022: RMB2,949,000 (equivalent to approximately HK$3,643,000)).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

18. TRADE AND BILLS RECEIVABLES (continued)

Included in trade receivables is an amount of approximately HK$37,783,000 (2022: HK$72,742,000), which 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:

	2023 HK$'000	2022 HK$'000
0-30 days	**51,242**	91,970
31-90 days	**43,211**	15,854
91-180 days	**60,162**	25,721
181-365 days	**18,365**	43,512
Over 365 days	**11,716**	31,323
	184,696	208,380

The following is an ageing analysis of trade and bills receivables, net of provision for credit loss allowances, presented based on the past due dates:

	2023 HK$'000	2022 HK$'000
Not yet past due	**65,132**	146,125
Less than 30 days past due	**37,497**	13,237
31 days to 90 days past due	**3,352**	7,291
91 days to 180 days past due	**53,445**	17,831
181 days to 365 days past due	**14,063**	13,568
More than 1 year past due	**11,207**	10,328
	184,696	208,380

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

As at 31 March 2023, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of approximately HK$119,564,000 (2022: HK$62,255,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$78,715,000 (2022: HK$41,727,000) has been past due 90 days or more and is not considered as in default due to having on-going relationship and no default repayment record from these customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

18. TRADE AND BILLS RECEIVABLES (continued)

The movements of provision for credit loss allowances on trade receivables are as follows:

	2023 HK$'000	2022 HK$'000
At beginning of year	**9,466**	1,322
Provision for credit loss allowances	**2,877**	8,533
Reversal of credit loss allowances	**(2,409)**	(575)
Exchange realignment	**(706)**	186
At end of year	**9,228**	9,466

An impairment analysis is performed at each reporting date using the probability of default approach to measure ECLs. The probabilities of default rates are estimated based on comparable companies of the customers with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information.

As at 31 March 2023, the Group endorsed certain bills receivables accepted by certain banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Notes, including the sale, transfer or pledge of the Endorsed Notes to any other third parties. In accordance with the "Law of Negotiable Instruments" in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement").

The total carrying amount of the Endorsed Notes of the Group as at 31 March 2023 was approximately HK$27,874,000 (2022: HK$43,342,000). In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of certain Endorsed Notes accepted by large and reputable banks (the "Derecognised Notes") with the fair value of approximately HK$17,634,000 (2022: HK$43,342,000). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables.

The maximum exposure to loss from the Group's Continuing Involvement in these Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amount. In the opinion of the directors of the Company, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

The Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade payables of approximately HK$10,240,000 (2022: Nil), because the directors of the Company believe that the Group has retained substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes.

The Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement during the year, the Endorsement has been made evenly during the year.

As at 31 March 2023, certain bills receivables amounted to approximately HK$6,288,000 (2022: HK$17,370,000) were pledged to the bank as securities for bills payables (Note 23).

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Prepayments	**414**	207
Prepayments to suppliers for purchase of materials	**16,294**	27,362
Deposits paid for tendering	**6,569**	9,182
	23,277	36,751
Other receivables, gross (Note)	**51,292**	32,657
Less: Provision for credit loss allowances on other receivables	**(2,013)**	(746)
Other receivables, net	**49,279**	31,911
	72,556	68,662

Note:

As at 31 March 2023, the other receivables included certain advances made to certain of the Group's potential customers amounting to RMB34,500,000 (equivalent to approximately HK$39,441,000) (2022: RMB17,500,000 (equivalent to approximately HK$21,616,000)) for their initial capital injection or deposit paid for the projects to be developed. The Group will recover these advances from the potential customers when the projects are approved and proceeded, or refunds will be made by respective parties to the Group if the projects do not proceed. During the year ended 31 March 2023, the Group received settlements amounting to RMB10,000,000 (equivalent to approximately HK$11,432,000) in respect of these advances. In the opinion of the directors of the Company, these advances would be recovered in the next twelve months from the date of approval of these consolidated financial statements. As at 31 March 2023, provision for credit loss allowances on these advances was approximately RMB14,000 (equivalent to approximately HK$16,000) (2022: Nil).

Included in other receivables amounted to approximately RMB4,589,000 (equivalent to approximately HK$5,247,000) (2022: RMB5,461,000 (equivalent to approximately HK$6,746,000)), net of provision for credit loss allowances were the trade receivables from an original trade debtor who has assigned the gross balance of trade receivables amounted to approximately RMB6,065,000 (equivalent to approximately HK$6,934,000) (2022: RMB6,065,000 (equivalent to approximately HK$7,492,000)) to its fellow subsidiary (the "New Debtor") during the year ended 31 March 2022. The New Debtor agreed to transfer two commercial units located in the PRC to the Group for the settlement of these balances. The Group did not yet complete the transfer of those properties up to the date of this report. As at 31 March 2023, provision for credit loss allowances on this receivable was approximately RMB1,476,000 (equivalent to approximately HK$1,687,000) (2022: RMB604,000 (equivalent to approximately HK$746,000)).

As at 31 March 2023 and 2022, all other receivables were non-interest bearing.

The movements of provision for credit loss allowances on other receivables are as follows:

	2023 HK$'000	2022 HK$'000
At beginning of year	**746**	–
Provision for credit losses allowances on other receivables	**1,323**	734
Exchange realignment	**(56)**	12
At end of year	**2,013**	746

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

20. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets

	2023 HK$'000	2022 HK$'000
Contract assets	**128,463**	37,966
Less: provision for credit loss allowances on contract assets	**(1,791)**	(118)
	126,672	37,848

As at 31 March 2021, the gross amount and net amount of contract assets of the Group amounted to approximately HK$19,115,000 and HK$19,102,000 (net of loss allowance) respectively.

The Group has rights to considerations from customers for provision of one-stop value added solution for photovoltaic power stations. Contract assets arise when the Group has right to consideration for completion of the provision of system integration services and not yet billed under the relevant contracts, and the right is conditional on factors other than passage of time. Any amount previously recognised as a contract asset is reclassified to trade receivable when such right becomes unconditional.

The Group and its customers also agreed to retain retention monies of 3% to 10% of the invoiced sum in the sales of the patented photovoltaic tracking mounting bracket systems and provision of one-stop value added solution for photovoltaic power stations to ensure the Group undertake responsibility of defects in the warranty period, which are 12 to 60 months (2022: 12 to 60 months) after final acceptance.

As at 31 March 2023, contract assets comprise of (1) the Group's right to consideration for work completed but not yet billed of gross carrying amount of approximately HK$48,941,000 (2022: HK$5,869,000), which after recognition of credit loss allowances of approximately HK$1,144,000 (2022: Nil), the net carrying amount of such unbilled contract assets was approximately HK$47,797,000 (2022: HK$5,869,000), as at the end of the reporting period arising from provision of one-stop value added solution for photovoltaic power stations; and (2) the retention receivables of gross carrying amount of approximately HK$79,522,000 (2022: HK$32,097,000), which after recognition of credit loss allowances of approximately HK$647,000 (2022: HK$118,000), the net carrying amount of retention receivables was approximately HK$78,875,000 (2022: HK$31,979,000). Contract assets are transferred to trade receivables when the rights become unconditional.

The increase in contract assets as at 31 March 2023 was the result of increase in the revenue from provision for one-stop value added solution for photovoltaic power stations but not yet billed under the relevant contracts, and increase in retention money receivables not yet fulfill the retention requirements and unexpiry of retention period as stated in relevant contracts.

20. CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

Contract assets (continued)

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

The expected timing of recovery or settlement for contract assets as at each of the reporting period is as follows:

	2023 HK$'000	2022 HK$'000
Recovery within one year	**92,791**	30,019
Recovery after one year	**33,881**	7,829
	126,672	37,848

The movements of provision for credit loss allowances on contract assets are as follows:

	2023 HK$'000	2022 HK$'000
At beginning of year	**118**	13
Provision for credit losses allowances on contract assets, net	**1,682**	104
Exchange realignment	**(9)**	1
At end of year	**1,791**	118

An impairment analysis is performed at each reporting date using the probability of default approach to measure ECLs. The provision rates for the measurement of the ECLs of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The probabilities of default rates are estimated based on comparable companies of the customers with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

20. CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

Contract liabilities

	2023 HK$'000	2022 HK$'000
Advances received from customers	14,635	5,259

The Group receives payments from customers based on the billing schedule as established in sale contracts. Payments are usually received in advance of the performance under the contracts which are mainly for sales of the patented photovoltaic tracking mounting bracket systems.

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

	2023 HK$'000	2022 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	5,259	6,760

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

21. AMOUNTS DUE FROM/(TO) RELATED PARTIES

An analysis of the amounts due from/(to) related parties is as follows:

	Maximum amount outstanding during the year HK$'000	2023 HK$'000	2022 HK$'000
Amounts due from related parties			
宜城市同景新能源有限公司 (note i)	10	10	5
常山縣同景新能源有限公司 (note i)	237	237	4
浙江同景凍乾科技有限公司 (note i)	164	164	41
浙江同景新能源集團有限公司 (note i)	12	12	6
浙江星菜農業科技有限公司 (note i)	353	170	202
衢州市同景新能源有限公司 (note i)	26	1	26
		594	284
Amounts due to related parties			
Victory Stand International Limited (note ii)		(10)	(10)
Rise Triumph Limited (note ii)		(11,000)	(11,000)
江山市友和機械有限公司 (note i)		(170)	–
		(11,180)	(11,010)

Notes:

(i) Mr. Wu Jian Nong, an executive director of the Company, is the controlling member and one of the beneficial owners of these related parties

(ii) Substantial shareholders of the Company

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

22. RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	2023 HK$'000	2022 HK$'000
Restricted bank deposits	14,614	8,237
Cash and cash equivalents	54,617	34,582
	69,231	42,819
Restricted bank deposits and cash and cash equivalents denominated in:		
HK$	3,729	7,040
RMB	65,166	35,192
United States dollars ("US$")	336	337
Japanese yen	–	250
	69,231	42,819

Bank balances carry interest at floating rates based on daily bank deposit rate. The bank balances are deposited with creditworthy banks with no recent history of default.

Restricted bank deposits as at 31 March 2023 included approximately HK$4,780,000 (2022: HK$5,067,000) of cash deposits placed to certain banks in relation to certain sales contracts, and approximately HK$9,834,000 (2022: HK$3,170,000) of cash deposits as securities for bills payables (Note 23).

As at 31 March 2023, there was approximately HK$65,166,000(2022: HK$35,192,000) denominated in RMB and deposited with banks in the PRC. RMB is not freely convertible into other currencies, however, under Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations in the PRC, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

23. TRADE AND BILLS PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	105,965	34,821
Bills payables	15,557	18,208
	121,522	53,029

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

23. TRADE AND BILLS PAYABLES (continued)

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

	2023 HK$'000	2022 HK$'000
0-30 days	**50,497**	15,267
31-90 days	**55,133**	14,687
91-180 days	**11,666**	5,104
181-365 days	**1,383**	15,960
Over 365 days	**2,843**	2,011
	121,522	53,029

The trade payables are non-interest-bearing and generally have payment terms of 30 to 90 days (2022: 30 to 90 days).

Bills payable were secured by certain bank deposits and bills receivables as disclosed in Notes 22 and 18 respectively.

24. OTHER PAYABLES AND ACCRUALS AND MATURED PROMISSORY NOTE

	2023 HK$'000	2022 HK$'000
Other payables (Note a)	**6,956**	10,748
Accrued payroll	**1,756**	1,521
Other tax payables	**3,005**	1,132
	11,717	13,401
Matured promissory note (Note b)	**46,104**	44,664

Notes:

(a) As at 31 March 2023, other payables included deposits received from customers amounted to approximately HK$1,874,000(2022: HK$5,841,000). All other payables are non-interest-bearing.

(b) On 9 September 2015, Glory Kind Development Limited ("Glory Kind"), a former subsidiary of the Company, issued promissory note with a principal amount of HK$36,000,000, which was secured by a charge on all the issued shares of Glory Kind, bore interest at 4% per annum on the principal amount and had a maturity period of 2 years from the date of issue. On 29 September 2017, the Company had entered into a sale and purchase agreement to dispose of the entire share capital of Glory Kind, at the same time, Glory Kind shall transfer and novate to the Company the payment obligations of the promissory note pursuant to the deed of novation (the "Novation"). Glory Kind had agreed with the promissory note holder, being a company incorporated in the BVI, (the "Noteholder") to extend the promissory note several times and the Novation became effective from 21 September 2018. The disposal of Glory Kind was completed on 19 December 2018.

The promissory note was overdue as at 31 March 2023 and 2022. The matured promissory note is unsecured and bear interest at 4% per annum on the principal amount. During the years ended 31 March 2023 and 2022, the management of the Company had tried to contact the Noteholder but in vain, and it was found that the Noteholder has been struck off from the BVI Government Register with effect from May 2022, which will then be automatically dissolved after a seven-year strike-off period. With effect from 1 January 2023, under the new amendments to BVI company legislation, a BVI company that gets struck off prior to 1 January 2023 may apply to be restored before the earlier of (i) the end of the seven-year strike-off period and (ii) 1 July 2023.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

25. BANK BORROWINGS

	2023 HK$'000	2022 HK$'000
Bank borrowings, secured	**50,072**	40,761
The carrying amounts of the above borrowings are repayable:		
– Within one year	**50,072**	40,761

As at 31 March 2023, secured bank borrowings consisted of four (2022: two) bank borrowings from certain commercial banks in the PRC:

(i) A bank borrowing with principal amount of RMB23,800,000 (equivalent to approximately HK$27,208,000) (2022: RMB23,800,000 (equivalent to approximately HK$29,397,000)), bearing a fixed interest rate at 5.5% (2022: 5.5%) per annum and repayable in May 2023 (2022: July 2022). Subsequently on 5 May 2023, the Group repaid the bank borrowing and on 10 May 2023, the Group borrowed RMB20,000,000 (equivalent to approximately HK$22,620,000) from the same lender, bearing a fixed interest rate at 5% per annum, repayable on 5 May 2024 and other terms remained the same;

(ii) A bank borrowing with principal amount of RMB10,000,000 (equivalent to approximately HK$11,432,000), bearing a fixed interest rate at 3.63% per annum and repayable in March 2024.

(iii) A bank borrowing with principal amount of RMB6,000,000 (equivalent to approximately HK$6,859,000.00), bearing a fixed interest rate at 3.80% per annum and repayable in September 2023.

(iv) A bank borrowing with principal amount of RMB4,000,000 (equivalent to approximately HK$4,573,000.00), bearing a fixed interest rate at 3.80% per annum and repayable in September 2023.

(v) As at 31 March 2022, a bank borrowing with principal amount of RMB9,200,000 (equivalent to approximately HK$11,364,000), bearing a fixed interest rate at 5.5% per annum and repaid in March 2023 on its repayment date.

As at 31 March 2023 and 2022, all bank borrowings were guaranteed by the related parties of the Group, namely Jiang Shan Shi Ming Crystal Limited, Zhi Jiang Tonking New Energy Group Limited and Quzhou Oster Lighting Co., Ltd. (Mr. Wu Jian Nong, an executive director of the Company, is the controlling member and one of the beneficial owners of these related parties), and an executive directors of the Company, Mr. Wu Jian Nong and secured by certain properties of Quzhou Oster Lighting Co., Ltd.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

26. DEFERRED TAX ASSETS

The followings are the major deferred tax assets recognised and movements thereon during the year:

	Credit loss allowance HK$'000
At 1 April 2021	–
Credited to consolidated profit or loss (Note 11)	2,328
Exchange realignment	39
At 31 March 2022 and 1 April 2022	2,367
Credited to consolidated profit or loss (Note 11)	867
Exchange realignment	(177)
At 31 March 2023	**3,057**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately HK$162,956,000(2022: HK$132,991,000) as at 31 March 2023, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

27. SHARE CAPITAL

Ordinary shares of HK$0.01 each	**Number of ordinary share**	**Share capital** HK$'000
Authorised		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	2,000,000,000	20,000
Issued and fully paid		
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	818,000,000	8,180

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

28. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of these consolidated financial statements.

(i) Share premium

Share premium arose from the issue of shares at a price greater than the par value of the shares and can be utilised for future bonus issue.

(ii) Statutory reserves

According to the PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their respective after-tax profit, calculated in accordance with the PRC accounting standards and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that the fund is maintained at a minimum level of 25% of the registered capital.

(iii) Exchange fluctuation reserves

The exchange fluctuation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserves are dealt with in accordance with the accounting policies set out in Note 3 to the consolidated financial statements.

29. SHARE OPTION SCHEMES

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 2 November 2013 as to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors from time to time on the basis of the directors' opinion as to their contribution to the development and growth of the Group.

29. SHARE OPTION SCHEMES (continued)

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme or any other share option schemes of the Company, in any 12-month period up to date of grant must not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

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

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

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For the year ended 31 March 2023

29. SHARE OPTION SCHEMES (continued)

The subscription price shall be a price solely determined by the directors of the Company and notified to a participant and shall be at least the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share on the date of grant of the option.

The Scheme shall be valid and effective for a period of ten years commencing on 2 November 2014, subject to early termination provisions contained in the Scheme.

No share options were granted since the adoption of the Scheme and there were no share options outstanding as at 31 March 2023 and 2022.

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

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

	2023	2022
Percentage of equity interest and voting rights held by non-controlling interests:		
Jin Zhai Xian Tong Jing New Energy Limited	**40%**	40%

	2023 **HK$'000**	2022 HK$'000
Profit for the year allocated to non-controlling interests:		
Jin Zhai Xian Tong Jing New Energy Limited	**1,417**	1,073
Accumulated balances of non-controlling interests at the reporting date:		
Jin Zhai Xian Tong Jing New Energy Limited	**19,474**	22,228

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

Notes to the Consolidated Financial Statements (continued)

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30. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Jin Zhai Xian Tong Jing New Energy Limited

	2023 HK$'000	2022 HK$'000
Revenue	**7,005**	6,626
Profit for the year	**3,543**	2,682
Other comprehensive (loss)/income for the year	**(4,135)**	2,285
Total comprehensive (loss)/income for the year	**(592)**	4,967
Dividend declared and paid	**(6,293)**	(6,075)
Dividend paid to NCI	**(2,517)**	(2,430)
Non-current assets	**29,425**	34,025
Current assets	**22,043**	26,585
Current liabilities	**(661)**	(2,712)
Non-current liabilities	**(2,122)**	(2,328)
	48,685	55,570
Net cash flows generated from operating activities	**24**	491
Net increase in cash and cash equivalents	**24**	491

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

31. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/registered capital	Percentage of equity attributable to the Company 2023	2022	Principal activities
Directly held:					
Elite Sheen Holdings Limited	The BVI	Authorised: US$1,000 Paid-up capital: US$1	100%	100%	Investment holding
Indirectly held:					
Tonking New Energy Group Co., Limited	Hong Kong	Paid-up capital: HK$1	100%	100%	Investment holding
Tonking New Energy Technology (Shanghai) Limited#1 同景新能源科技（上海）有限公司	The PRC	Registered: HK$633,820,000 Paid-up capital: RMB100,146,163 (equivalent to Approximately HK$112,164,000) (Note b)	100%	100%	Research and development of solar power technology, the EPC business and sale of photovoltaic mounting and tracking system materials
Tonking New Energy Technology (Jiangshan) Limited#2 同景新能源科技（江山）有限公司	The PRC	Registered: RMB620,000,000 Paid-up capital: RMB100,000,000 (Note b)	100%	100%	Research and development of solar power technology, the EPC business and sale of photovoltaic mounting and tracking system materials
Jin Zhai Xian Tong Jing New Energy Limited#2 金寨縣同景新能源有限公司	The PRC	Registered and paid-up capital: RMB40,000,000	60%	60%	Research and development of solar power technology, sale of photovoltaic mounting and tracking system materials and sale of electricity
Lin Yi Shi New Energy Limited#2 臨沂市同景新能源有限公司	The PRC	Registered: RMB50,000,000 Paid-up capital: RMB5,600,000 (Note b)	100%	100%	Sale of electricity
Hechi City Yizhou Longju Farming and Breeding Farmers Professional Cooperative# 河池市宜州龍琚種養農民專業合作社(Note a)	The PRC	Registered: RMB2,200,000 Paid-up capital: Nil (Note b)	99.8%	99.8%	Inactive

The English names are for identification purpose only and the official names of the companies are in Chinese.

1 wholly-owned foreign enterprise

2 private limited liability company

Notes:

(a) The Group has become registered shareholder of this subsidiary during year ended 31 March 2022. As at 31 March 2023 and 2022, no capital injection has been made to this subsidiary.

(b) As at 31 March 2023, certain subsidiaries' registered capital has not been fully paid up and aggregated unpaid share capital comprised of approximately HK$521,656,000 and RMB566,600,000 (equivalent to approximately HK$648,335,000) (2022: HK$521,656,000 and RMB566,600,000 (equivalent to approximately HK$688,457,000)). The unpaid share capitals were not yet due in accordance with article of association of the respective subsidiaries.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES AND MAJOR NON-CASH TRANSACTIONS

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	**Bank borrowings** HK$'000
At 1 April 2021	–	28,233
Changes from financing cash flows		
– Proceeds from borrowings	–	40,097
– Repayment of borrowings	–	(28,919)
– Interest paid on borrowings	–	(1,609)
– Repayment of lease liabilities – principal	(31)	–
– Repayment of lease liabilities – interest	(138)	–
Total changes from financing cash flows	(169)	9,569
Other changes:		
– Interest expenses (Note 7)	138	1,609
– Addition of new lease (Note)	2,216	–
– Exchange realignment	176	1,350
	2,530	2,959
At 31 March 2022 and 1 April 2022	2,361	40,761
Changes from financing cash flows		
– Proceeds from borrowings	–	50,072
– Repayment of borrowings	–	(37,726)
– Interest paid on borrowings	–	(2,376)
– Repayment of lease liabilities – principal	(205)	–
– Repayment of lease liabilities – interest	(129)	–
Total changes from financing cash flows	(334)	9,970
Other changes:		
– Interest expenses (Note 7)	129	2,376
– Exchange realignment	(2)	(3,035)
	127	(659)
At 31 March 2023	**2,154**	**50,072**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES AND MAJOR NON-CASH TRANSACTIONS (continued)

Note:

During the year ended 31 March 2022, a right-of-use asset for new lease agreement entered by the Group for a land with amount of approximately HK$2,216,000 and the same amounts of lease liabilities were recognised. In addition, the Group had entered into new lease agreements for a leasehold land and paid a lump sum payment of approximately HK$3,766,000. As result, the Group recognised additional of right-of-use assets and lease liabilities at approximately HK$5,982,000 (Note 15) and HK$2,216,000, respectively.

33. RELATED PARTY TRANSACTIONS

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

	2023 **HK$'000**	2022 HK$'000
江山市友和機械有限公司 (note)		
– short-term leases expenses paid/payable	**451**	501
浙江星菜農業科技有限公司 (note)		
– short-term leases expenses paid/payable	**353**	375

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The directors of the Company are of the opinion that those related party transactions were conducted in the ordinary course of business of the Group.

Note: Mr. Wu Jian Nong, an executive director of the Company, is the controlling member and one of the beneficial owners of these related parties

(b) The directors of the Company were considered to be the key management personnel of the Group. The remuneration of the directors of the Company is set out in Note 9.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

34. FINANCIAL INSTRUMENTS BY CATEGORY

	2023 HK$'000	2022 HK$'000
Financial assets		
Bills receivables at fair value through other comprehensive income	**17,870**	17,646
At amortised cost:		
– Trade receivables	**166,826**	190,734
– Other receivables and refundable deposits	**55,848**	41,093
– Amounts due from related parties	**594**	284
– Restricted bank deposits	**14,614**	8,237
– Cash and cash equivalents	**54,617**	34,582
	310,369	292,576
Financial liabilities at amortised cost:		
– Trade and bills payables	**121,522**	53,029
– Other payables and accruals	**8,712**	12,269
– Matured promissory note	**46,104**	44,664
– Amounts due to related parties	**11,180**	11,010
– Bank borrowings	**50,072**	40,761
– Lease liabilities	**2,154**	2,361
	239,744	164,094

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise trade and bills receivables, other receivables and refundable deposits, amounts due from/(to) related parties, restricted bank deposits, cash and cash equivalents, trade and bills payables, other payables and accruals, matured promissory note, bank borrowings and lease liabilities.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, foreign currency risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities. The carrying amounts of the financial assets represent the maximum exposure to credit risk.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In additions, receivable balances are monitored on an ongoing basis and the Group's exposed to bad debts is not significant.

At the end of the reporting period, the Group had certain concentrations of credit risk as 23% (2022: 9%) and 62% (2022: 28%) of the Group's trade receivables and 32% (2022: 14%) and 54% (2022: 53%) of the Group's contract assets were due from the Group's largest customer and five largest customers respectively.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March. The amounts presented are gross carrying amounts for trade and bills receivables, other receivables and refundable deposits, amounts due from related parties, restricted bank deposits, cash and cash equivalents and contract assets.

As at 31 March 2023

	ECLs 12-month Stage 1 HK$'000	Lifetime ECLs Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach (Not credit impaired) HK$'000	Total HK$'000
Trade and bills receivables	–	–	–	193,924	193,924
Other receivables and refundable deposits	50,927	6,934	–	–	57,861
Amounts due from related parties	594	–	–	–	594
Restricted bank deposits	14,614	–	–	–	14,614
Cash and cash equivalents	54,617	–	–	–	54,617
Contract assets	–	–	–	128,463	128,463
	120,752	6,934	–	322,387	450,073

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 March 2022

		Lifetime ECLs			
	ECLs 12-month Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach (Not credit impaired) HK$'000	Total HK$'000
Trade and bills receivables	–	–	–	217,846	217,846
Other receivables and refundable deposits	34,347	7,492	–	–	41,839
Amounts due from related parties	284	–	–	–	284
Restricted bank deposits	8,237	–	–	–	8,237
Cash and cash equivalents	34,582	–	–	–	34,582
Contract assets	–	–	–	37,966	37,966
	77,450	7,492	–	255,812	340,754

The directors of the Company consider that the ECL for amounts due from related parties are immaterial.

The Group's bills receivable at fair value through other comprehensive income are issued by banks with high credit ratings and therefore are considered to be low credit risk. During the year, the directors of the Company consider that ECL on bills receivables at fair value through other comprehensive income was insignificant.

The credit risk on bank balances is also limited because the Group's bank balances are all deposited with major banks located in Hong Kong and the PRC.

Trade and other receivables and contract assets

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance on trade receivables and contract assets at lifetime ECL, and the loss allowance on other receivables at a 12-month ECL (if there had been no significant increase in credit risk since initial recognition) or a lifetime ECL (if there had been significant increase in credit risk since initial recognition).

The Group uses provision matrix to calculate ECL for trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled products and works delivered and rendered and retention receivables which have substantially the same risk characteristics as the trade receivables for the same types of contracts. The directors of the Company have therefore concluded the ECL rates for trade receivables are a reasonable approximately of the loss rates for contract assets.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Trade and other receivables and contract assets (continued)

The estimated ECL loss rates are estimated based on the default rates from international credit rating agencies for various industries of debtors, debtor's creditworthiness and ageing of trade receivables and are adjusted with forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The Group has identified the gross domestic product in the PRC to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables:

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
At 31 March 2023				
Current (not past due)	**0.1%**	**47,316**	**(54)**	**47,262**
0-30 days past due	**0.7%**	**37,766**	**(269)**	**37,497**
31-90 days past due	**0.1%**	**3,353**	**(1)**	**3,352**
91-180 days past due	**0.7%**	**53,799**	**(354)**	**53,445**
181-365 days past due	**1.9%**	**14,332**	**(269)**	**14,063**
Over 365 days past due	**42.5%**	**19,488**	**(8,281)**	**11,207**
		176,054	**(9,228)**	**166,826**
At 31 March 2022				
Current (not past due)	0.1%	128,523	(44)	128,479
0-30 days past due	0.6%	13,322	(85)	13,237
31-90 days past due	1.6%	7,411	(120)	7,291
91-180 days past due	1.7%	18,156	(325)	17,831
181-365 days past due	4.3%	14,182	(614)	13,568
Over 365 days past due	44.4%	18,606	(8,278)	10,328
		200,200	(9,466)	190,734

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank borrowings, matured promissory note, lease liabilities and bank balances. Bank borrowings, matured promissory note, lease liabilities and bank balances at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management.

The Group's bank balances bear interest at variable interest rates, while bank borrowings, matured promissory note and lease liabilities bear interests at fixed interest rates. Other than bank balances, bank borrowings, matured promissory note and lease liabilities, the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

The Group will continue to monitor the exposure on cash flow interest rate risk and will consider hedging the interest rate should the need arise. In the opinion of the directors of the Company, the Group does not have material interest rate risk exposure and hence no sensitivity analysis is presented.

Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in the functional currency of the group entities. The foreign currency risk is considered not material and the Group therefore does not have a foreign currency hedging policy. However, the management monitors the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flow.

	Weighted average interest rate per annum	On demand or within one year HK$'000	Two to five years HK$'000	Over five years HK$'000	Total undiscounted cash flows HK$'000	Carrying Amounts HK$'000
As at 31 March 2023						
Trade and bills payables	N/A	121,522	–	–	121,522	121,522
Other payables and accruals	N/A	8,712	–	–	8,712	8,712
Matured promissory note	(Note)	46,104	–	–	46,104	46,104
Amounts due to related parties	N/A	11,180	–	–	11,180	11,180
Bank borrowings	4.2%	50,935	–	–	50,935	50,072
Lease liabilities	5.9%	160	655	3,275	4,090	2,154
		238,613	655	3,275	242,543	239,744
As at 31 March 2022						
Trade and bills payables	N/A	53,029	–	–	53,029	53,029
Other payables and accruals	N/A	12,269	–	–	12,269	12,269
Matured promissory note	(Note)	44,664	–	–	44,664	44,664
Amounts due to related parties	N/A	11,010	–	–	11,010	11,010
Bank borrowing	5.5%	41,793	–	–	41,793	40,761
Lease liabilities	5.9%	172	698	3,720	4,590	2,361
		162,937	698	3,720	167,355	164,094

Note: 4% per annum on original principal amount.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values

As at 31 March 2023, all financial instruments measured at amortised costs are carried at amounts not materially different from their fair value.

Bills receivables at fair value through other comprehensive income are measured at fair value at Level 2 of the fair value hierarchy based on discounted cash flow that capture the present value of future expected cash flows derived from the underlying assets at the end of each reporting period. The directors of the Company are of the view that the fair value of bill receivables is close to its carrying amounts given all bill receivables will mature within six months.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to the shareholders, return capital to the shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2023 and 2022.

The Group monitors capital using a gearing ratio, which is expressed as a percentage of total debts over capital. The gearing ratios as at the end of the reporting period were as follows:

	2023 **HK$'000**	2022 HK$'000
Matured promissory note	**46,104**	44,664
Amounts due to related parties	**11,180**	11,010
Bank borrowings	**50,072**	40,761
Lease liabilities	**2,154**	2,361
Total debts	**109,510**	98,796
Total equity	**255,910**	251,856
Total capital	**365,420**	350,652
Gearing ratio	**30%**	28%

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		–	–
Investments in subsidiaries		8	8
Amounts due from subsidiaries		114,373	117,683
		114,381	117,691
Current assets			
Other receivables		2	1
Current liabilities			
Other payables and accruals		700	1,025
Matured promissory note	24	46,104	44,664
Amount due to a related party		10	10
		46,814	45,699
Net current liabilities		(46,812)	(45,698)
Net assets		67,569	71,993
Capital and reserves			
Share capital	27	8,180	8,180
Reserves (Note)		59,389	63,813
Total equity		67,569	71,993

The Company's statement of financial position was approved and authorised for issue by the board of directors on 26 June 2023 and are signed on its behalf by:

Wu Jian Nong	**Shen Meng Hong**
Director	*Director*

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2023

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

Note:

The movements of the Company's reserves are as follows:

	Share premium HK$'000	**Accumulated loss** HK$'000	**Total** HK$'000
At 1 April 2021	71,725	(2,785)	68,940
Loss and total comprehensive loss for the year	–	(5,127)	(5,127)
At 31 March 2022 and 1 April 2022	71,725	(7,912)	63,813
Loss and total comprehensive loss for the year	–	(4,424)	(4,424)
At 31 March 2023	**71,725**	**(12,336)**	**59,389**

Five Years' Financial Summary

RESULTS

	Year ended 31 March				
	2023 HK$'000	2022 HK$'000	2021 HK$'000 (Reclassified)	2020 HK$'000	2019 HK$'000
REVENUE	688,965	240,524	198,596	284,887	691,113
PROFIT/(LOSS) BEFORE INCOME TAX	37,269	4,943	(7,314)	11,395	42,546
Income tax (expense)/credit	(8,219)	1,627	63	(3,305)	(10,922)
PROFIT/(LOSS) FOR THE YEAR	29,050	6,570	(7,251)	8,090	31,624
Profit/(Loss) for the year attributable to:					
Owners of the Company	27,633	5,497	(8,630)	6,329	29,640
Non-controlling interests	1,417	1,073	1,379	1,761	1,984
	29,050	6,570	(7,251)	8,090	31,624

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
TOTAL ASSETS	516,083	423,189	381,882	418,550	486,553
TOTAL LIABILITIES	(260,173)	(171,333)	(145,893)	(196,763)	(256,180)
NET ASSETS	255,910	251,856	235,989	221,787	230,373
EQUITY					
Equity attributable to the owners of the Company	236,436	229,628	213,318	201,637	210,722
Non-controlling interests	19,474	22,228	22,671	20,150	19,651
TOTAL EQUITY	255,910	251,856	235,989	221,787	230,373