



TONKING GROUP

Tonking New Energy Group Holdings Limited

同景新能源集團控股有限公司*

(formerly known as JC Group Holdings Limited)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8326)



First Quarterly Report
2016



* For identification purpose only

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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 the 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.



The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and the subsidiaries (collectively, the “Group”) for the three months ended 30 June 2016, together with the unaudited comparative figures for the respective corresponding periods in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2016

	Notes	Three months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
REVENUE	3	495,902	65,259
Other income	3	121	56
Cost of food and beverage	4	(19,071)	(18,966)
Contract costs	4	(349,295)	-
Staff costs		(25,576)	(19,986)
Depreciation and amortisation		(2,519)	(5,013)
Property rentals and related expenses		(15,963)	(14,415)
Fuel and utility expenses		(1,390)	(1,415)
Administrative and other operating expenses		(11,839)	(7,690)
Finance cost		(416)	-
PROFIT (LOSS) BEFORE TAX	4	69,954	(2,170)
Income tax expense	5	(19,549)	(673)
PROFIT (LOSS) FOR THE PERIOD		50,405	(2,843)
Attributable to:			
Owners of the Company		50,393	(2,740)
Non-controlling interests		12	(103)
		50,405	(2,843)
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	6	12.60	(0.69)



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the three months ended 30 June 2016

	Three months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
PROFIT (LOSS) FOR THE PERIOD	50,405	(2,843)
OTHER COMPREHENSIVE EXPENSE		
<i>Other comprehensive expense to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(2,818)	-
Other comprehensive expense, net of tax	(2,818)	-
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD	47,587	(2,843)
Attributable to:		
Owners of the Company	47,575	(2,740)
Non-controlling interests	12	(103)
	47,587	(2,843)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2016

	Attributable to owners of the Company								
	Issued capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserves HK\$'000	Retained profits/ Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2016 (audited)	4,000	27,847	51,567	1,770	487	304	85,975	4,377	90,352
Profit for the period	-	-	-	-	-	50,393	50,393	12	50,405
Other comprehensive expense for the period	-	-	-	-	(2,818)	-	(2,818)	-	(2,818)
Total comprehensive income for the period	-	-	-	-	(2,818)	50,393	47,575	12	47,587
At 30 June 2016 (unaudited)	4,000	27,847	51,567	1,770	(2,331)	50,697	133,550	4,389	137,939
At 1 April 2015 (audited)	4,000	27,847	51,567	-	-	(3,004)	80,410	4,605	85,015
Loss for the period	-	-	-	-	-	(2,740)	(2,740)	(103)	(2,843)
Total comprehensive expense for the period	-	-	-	-	-	(2,740)	(2,740)	(103)	(2,843)
At 30 June 2015 (unaudited)	4,000	27,847	51,567	-	-	(5,744)	77,670	4,502	82,172



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2016

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 June 2013 as an exempted company with limited liability under the Companies law of the Cayman Islands. The shares of the Company have been listed on the GEM of The Stock Exchange with effect from 21 November 2013. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is at 14th Floor, TAL Building, 45-53 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong.

During the three months ended 30 June 2016, the Group is principally engaged in the renewable energy business in the People's Republic of China (the "PRC") and the operation and management of restaurants and cake shops in Hong Kong.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the three months ended 30 June 2016 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 30 June 2016 are consistent with those adopted in the Group's annual financial statements for the year ended 31 March 2016, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "New and Revised HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA that have become effective for accounting period beginning on 1 April 2016. The unaudited condensed consolidated financial statements for the three months ended 30 June 2016 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited financial statements included in the annual report of the Company dated 22 June 2016.

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the three months ended 30 June 2016 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the three months ended 30 June 2016.

The Group has not applied new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is currently assessing the impact of the adoption of such new and revised standards, amendments or interpretations to the Group but is yet to be in a position to state whether they would have any material financial impact on the Group's results of operations and financial position.

The unaudited condensed consolidated financial statements for the three months ended 30 June 2016 have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements for the three months ended 30 June 2016 are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.



3. REVENUE AND OTHER INCOME

	Three months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue		
Restaurant operations	63,182	65,259
Construction contracts	432,720	-
	495,902	65,259
Other income		
Others	121	56
	121	56

4. PROFIT (LOSS) BEFORE TAX

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

	Three months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Cost of food and beverage	19,071	18,966
Amortisation of intangible assets	81	79
Depreciation	2,438	4,934
Lease payments under operating lease in respect of land and buildings:		
Minimum lease payments	15,220	13,669
Contingent rents	113	256
	15,333	13,925
Contract costs:		
Cost of construction material and supplies	281,909	-
Installation charges	58,257	-
Transportation	999	-
Machine and vehicle rental	6,970	-
Other expenses	1,160	-
	349,295	-
Employee benefits expenses (excluding directors' and chief executive's remuneration):		
Salaries, wages and other benefits	24,258	18,470
Retirement benefits scheme contributions	718	691
	24,976	19,161
Exchange differences, net	(22)	(13)



5. INCOME TAX EXPENSE

	Three months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current tax – Hong Kong – charge for the period	624	673
Current tax – PRC	18,925	–
	19,549	673

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the three months ended 30 June 2016 and 2015.

Enterprise income tax is provided on the estimated taxable profits of the subsidiaries established in the PRC at a rate of 25% during the period.

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

For the three months ended 30 June 2016, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the unaudited condensed consolidated profit attributable to owners of the Company of approximately HK\$50,393,000 and (ii) the weighted average number of ordinary shares 400,000,000 in issue.

For the three months ended 30 June 2015, the calculation of the basic loss per share attributable to owners of the Company was based on (i) the unaudited condensed consolidated loss attributable to owners of the Company of approximately HK\$2,740,000 and (ii) the weighted average number of ordinary shares 400,000,000 in issue.

The diluted earnings (loss) per share is equal to the basic earnings (loss) per share as there were no dilutive potential ordinary shares in issue during the three months ended 30 June 2016 and 2015.

7. DIVIDENDS

No dividend has been paid or declared by the Company for the three months ended 30 June 2016 (three months ended 30 June 2015: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Renewable Energy Business

The renewable energy business of the Group could be categorized into three segments: provision of a one-stop value added solution for photovoltaic power stations (EPC, maintenance and support, operation and so on), sales of the patented tracking photovoltaic systems and investment in building its own photovoltaic power stations.

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

During the reporting period, total realized revenue for the business of renewable energy was recorded of approximately HK\$432,720,000 (2015 corresponding period: nil), which was mainly attributable to the one-stop value-added solutions provided by photovoltaic power station, and the total enhancement in sales and scale of business of the patented photovoltaic tracking system compared with the corresponding period in the last year.

During the Reporting Period, the EPC business undertaken by the Group has successfully completed the grid connection of 325.19MW. Among which, the grid connection for 紅墩子 mining zone project of 寧夏寶豐集團 was completed on 27 June 2016. Such a project has become the largest oblique uniaxial tracking agricultural photovoltaic power station worldwide. The construction period for the project lasted for 110 days only. It has maintained a leading position in the industry in terms of the technicality of the entire project and the adjustment capabilities of the construction institute, laying a solid foundation in relation to the comprehensive launch of the EPC business of the Group.

During the Reporting Period, the Group has also embarked on an in-depth EPC project co-operation with top photovoltaic enterprises such as 寧夏寶豐集團, Datong Mine, 福斯特 and Elion Resources in a view to providing business security for the sustainable development of the EPC business of the Group. For details, please refer to announcements of the Company dated 6 January 2016, 26 February 2016, 31 May 2016 and 28 June 2016.

寧夏寶豐: 寧夏寶豐能源集團有限公司, one of the sizeable private enterprises in Ningxia, is a large-scale group company dominating in the production, process and utilization, operation and sales of coal and mainly engages in various business activities, such as real estates, commercial storage and transportation, ware-house storage and logistics. The patented Oblique uniaxial tracking photovoltaic technique has been applied to all the EPC business co-operated with Tong Jing while the first phase 350MW has been built and put into operation.

Datong Mine Group: Datong Coal Mine Group Co., Ltd. (Datong Mine for short) is headquartered in Datong, Shanxi Province, PRC where it is renowned for coals. The demonstration ground for the state top notch techniques in photovoltaics in the coal-mining subsidence area in Datong under the first national photovoltaic 'fore-runner' scheme is situated at Datong while Datong Mine is responsible for its major construction. Meanwhile Tong Jing 2nd generation of Dual-Axis Linkage PV Tracking System has been applied in the Photovoltaic Fore-runner Project.

福斯特新能源: Located in Linan, the west suburban area of Hangzhou, Zhejiang Province, 杭州福斯特光伏材料股份有限公司, the parent company of 江山福斯特新能源開發有限公司, is a High and New Technology Enterprise committed to the research and development, production and sales of new materials. The stock code of which is 603806. Tong Jing model has been applied in the Jiangshan 20MW lake, agriculture, and forest photovoltaic project.

Elion Resources: Elion Resources Group, top 100 private enterprises in the PRC, is a world-leading ecological restoration enterprise, which mainly committed to the ecological restoration of both deserts and city and ecological industry, so as to allow green grass and bushes to be grown on the vast desert land as well as to produce healthy food; to transform mountains of rubbish to an ecological home with tranquil water and green hills. Meanwhile it is also devoted to the development of clean energy and the provision of such kind of services. The stock code of which is 600277SH. The Company has entered into co-operation of two projects with Tong Jing and the grid connection for Kubuqi desert ecological photovoltaic project has been conducted.



During the Reporting Period, the Group's oblique uniaxial tracking mounting brackets system V3.0 has not altered the land use features, with an increase of 15% to 30% in terms of power generation volume and low maintenance and repair costs, which perfectly combines agriculture and photovoltaics in real to create oblique uniaxial agricultural photovoltaic tracking system. This has been fully recognized in the industry and by the clients.

During the Reporting Period, the Group has endeavored to develop a series of photovoltaic tracking mounting brackets system V4.0 products applicable to hydro-photovoltaics. The research and development of this single product would be a true solution to the difficult task the industry faces, i.e. the anti-corrosion issue of mounting brackets. This may further enhance the wind-resistance and significantly increase the machinery installation capacity within the land(water) unit area without affecting the agricultural farming (fishery cultivation). In particular, the successful research and development of floating oblique uniaxial tracking system in the V4.0 products has been a solution to the difficult tasks exposed in the industry, such as high costs and poor reliability. Compared with fixed hydro-photovoltaic power stations, the power generation volume has seen a notably increase, which would become a competitive technique in hydro-photovoltaic power stations.

Food and Beverage Business

The Group is a food and beverage group in Hong Kong operating 11 full-service restaurants and 2 cake shops as at 30 June 2016 namely "Inakaya", "Harlan's", "Kaika", "Mekikoginji-Okinawa" in Tuen Mun, Causeway Bay, Tsim Sha Tsui and Mongkok, "Hooray", "Pearl Delights", "PHO Hoi An" in Tsim Sha Tsui and San Po Kong, "Harlan's Cake Shop" and "Carousel", of which some are operated by way of franchising agreement.

The Group endeavored to work out the philosophy – "unique dining concepts" through quality dishes accompanied by a pleasant atmosphere and attentive services. The Group continues to explore fresh and high quality food ingredients with reasonable prices to create an unforgettable and unique dining experience. All of our chefs and staff are committed to preparing innovative dishes and executing stringent food quality control.

Mekikoginji-Okinawa

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

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

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

Inakaya

Being one of the few robatayaki Japanese restaurants that is located on the upper floors of one of the tallest buildings in the world, Inakaya has successfully maintained and strengthened its upscale and fine-dining image in Hong Kong. Our executive chef brought in the new Japanese cuisine essence together with traditional style to the restaurant and further established the unique connection between Japan and Hong Kong. Inakaya was included in the world-famous "The MICHELIN GUIDE" (Hong Kong and Macau 2015) with two Fork & Spoon designations representing "comfortable restaurant", and was granted an award from "Hong Kong Tatler Best Restaurants – Hong Kong & Macau Edition 2016".

Harlan's

With an inviting ambience and plush interior design, Harlan's successfully joined the quality wedding merchant scheme held by ESD Services Limited which further demonstrate our strength in providing perfect venue and attentive services for holding wedding banquets and corporate events. Harlan's also received accolades from "Hong Kong Tatler Best Restaurants – Hong Kong and Macau Edition" in 2016, and has maintained its unique position as one of the finest restaurants with splendid view in Tsim Sha Tsui.

Kaika

The Teppanyaki brand has been moving on with enormous momentum which transcended itself from merely a teppanyaki restaurant from Ginza Tokyo. Kaika also received accolades from "Hong Kong Tatler Best Restaurants – Hong Kong and Macau Edition in 2016". The restaurant captured not only frequent diners but also new customers with a discerning palate.



Hooray

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

Pearl Delights

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

PHO Hoi An

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

Harlan’s Cake Shop

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

Carousel

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



FINANCIAL REVIEW

Revenue

For the three months ended 30 June 2016, the Group recorded revenue of approximately HK\$495,902,000 (2015: approximately HK\$65,259,000), representing an increase of approximately 660% compared with the three months ended 30 June 2015. The growth in revenue was mainly attributable to the revenue from renewable energy business that the Group commenced operation in the fourth quarter of 2015. Meanwhile, the food and beverage business brought a slight decrease in revenue for the three months ended 30 June 2016.

Cost of food and beverage

The cost of food and beverage for the three months ended 30 June 2016 amounted to approximately HK\$19,071,000 (2015: approximately HK\$18,966,000). Despite rising inflation in the market, the Group was able to maintain the overall cost margin at a level of or below approximately 30% of revenue for both of the three months ended 30 June 2016 and 2015. The Directors will continue to monitor the cost of inventories sold as a percentage of revenue, which is a key performance indicator of the overall efficiency and profitability of the restaurant operations.

Contract Costs

The contract costs for the three months ended 30 June 2016 was approximately HK\$349,295,000 (2015: nil). The costs were derived from the newly commenced renewable energy business which was mainly represented by the cost of construction materials and supplies, installation charges, transportation, machine and vehicle rental expenses.

Staff costs

The staff costs increased by approximately 28% to approximately HK\$25,576,000 for the three months ended 30 June 2016 (2015: approximately HK\$19,986,000). The increase was mainly attributable to the increase in the number of staff for the newly commenced renewable energy business.

Depreciation and amortisation

Depreciation and amortisation decreased by approximately 50% to approximately HK\$2,519,000 for the three months ended 30 June 2016 (2015: approximately HK\$5,013,000). The reason of such significant decrease was that some property, plant and equipment in some outlets of food and beverage business were fully depreciated over its estimated useful life.

Property rentals and related expenses

The property rentals and related expenses for the three months ended 30 June 2016 amounted to approximately HK\$15,963,000 (2015: approximately HK\$14,415,000), representing an increase of approximately 11% as compared to the corresponding period in 2015. Such increase was mainly attributable to the property rentals and related expenses of renewable energy business, and the newly-opened outlets and rise in the rent of some existing outlets upon the renewal of tenancy agreements of food and beverage business.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately 54% to approximately HK\$11,839,000 for the three months ended 30 June 2016 from approximately HK\$7,690,000 for the corresponding period in 2015. The increase was mainly derived from the renewable energy business that commenced in fourth quarter of 2015.

Finance costs

Finance costs amounted to approximately HK\$416,000 for the three months ended 30 June 2016 (2015: nil), which comprised of interest expenses amounting to approximately HK\$340,000 that was derived from the promissory note issued by the Group to an independent third party.

Net profit (loss) for the period

The Group recorded profit attributable to owners of the Company of approximately HK\$50,393,000 (2015: loss of approximately HK\$2,740,000). The profit was mainly attributable to the growth in profit from renewable energy business that the Group commenced operation in the fourth quarter of 2015.



FUTURE PROSPECTS

The Group faced challenging operating environment of the restaurant operations business for the three months ended 30 June 2016 including downward pressure of the global economy, keen competition, inflation pressure, shortage of labor and political disputes. Despite that, the management strived to overcome the challenges through the diversification strategy by looking for other attractive business to diversify its business areas and to reduce the reliance upon existing food and beverage business.

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

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

Liquidity, Financial and Capital Resources

Capital structure

As at 30 June 2016, the share capital and equity attributable to owners of the Company amounted to HK\$4,000,000 and approximately HK\$133,550,000 respectively (2015: HK\$4,000,000 and approximately HK\$77,670,000 respectively).

Cash position

As at 30 June 2016, the cash and cash equivalents of the Group amounted to approximately HK\$44,580,000 (2015: approximately HK\$47,172,000), representing decrease of approximately 5% as compared to that as at 30 June 2015.

Borrowings

As at 30 June 2016, total borrowings of the Group amounted to approximately HK\$36,340,000 (2015: nil) which was derived from the issue of a promissory note. On 9 September 2015, the Group issued a promissory note to an independent third party with an aggregate principal amount of HK\$36,000,000 which bears an interest rate of 4% per annum for a term of two years. In June 2016, the Group settled the interest expenses of the amount HK\$785,000.

Pledge of assets

As at 30 June 2016, the entire issued share capital of Glory Kind Development Limited (a direct wholly-owned subsidiary of the Company) were pledged to secure the issue of a promissory note to an independent third party (2015: nil).

Gearing ratio

As at 30 June 2016, the gearing ratio of the Group was approximately 28% (2015: approximately 3%). The significant increase was mainly attributable to the issuance of promissory note in September 2015. The gearing ratio is calculated based on the total debt at the end of the period divided by the total debt plus total equity at the end of the respective period. Total debt represents all liabilities excluding trade payables, other payables and accruals, tax payable and provision for reinstatement costs.



SUBSEQUENT EVENT

On 25 July 2016 (after trading hours), the Company entered into the Placing Agreement with the Placing Agents whereby the Company agreed to place, through the Placing Agents, collectively and on a best effort basis, a maximum of 14,362,657 Placing Shares to not less than six Placees at a price of HK\$5.57 per Placing Share.

On 27 July 2016 (after trading hours), the Company and the Placing Agents executed a confirmation letter to the Placing Agreement in accordance with the Placing Agreement, pursuant to which the Company and the Placing Agents mutually agree to change the Long Stop Date, the Placing Period and the Completion Date.

All the conditions precedent as set out in the Placing Agreement have been fulfilled and Completion of the Placing took place on 4 August 2016. An aggregate of 9,000,000 Placing Shares have been successfully placed to not less than six Placees at the Placing Price of HK\$5.57 per Placing Share.

For details of the above, please refer to the announcement of the Company dated 25 July 2016, 27 July 2016 and 4 August 2016.

CORPORATE GOVERNANCE CODE

During the three months ended 30 June 2016, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "Code") contained in Appendix 15 to the GEM Listing Rules.

COMPETING BUSINESS

For the three months ended 30 June 2016, none of the Directors, the controlling shareholders or the substantial shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the three months ended 30 June 2016.

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 30 June 2016 and so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying Shares 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 of associated corporation

Name of Director	Capacity/Nature	Number of ordinary shares interested	Approximate percentage of interests
Ms. Shen Meng Hong	Beneficial owner	1,118,500	0.28%
Mr. Wu Jian Nong	Interest of controlled corporation (<i>Note</i>)	111,850,000	27.96%

Note:

These 111,850,000 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. Mr. Wu Jian Nong is a director of Rise Triumph Limited.



Name of Director	Name of associated corporation	Capacity/Nature	Number of ordinary shares interested	Approximate percentage of Interests
Mr. Wu Kai Char ("Mr. Wu")	Victory Stand International Limited ("Victory Stand")	Beneficial owner	3,189	31.89%
Ms. Wong Wai Ling ("Ms. Wong")	Victory Stand	Beneficial owner	1,741	17.41%

Save as disclosed above and so far as is known to the Directors, as at 30 June 2016, 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 30 June 2016 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 Shareholder	Capacity/Nature	Number of Shares held/ interested	Approximate percentage of interests
Rise Triumph Limited	Beneficial owner	111,850,000	27.96%
Victory Stand	Beneficial owner	103,000,000	25.75%
Mr. Zhang Fuzhu ("Mr. Zhang")	Interest in a controlled corporation (<i>Note</i>)	103,000,000	25.75%

Note:

These 103,000,000 Shares are held by Victory Stand, the entire issued share capital of which is beneficially owned as to 41.99%, 31.89%, 17.41% and 8.71% by Mr. Zhang, Mr. Wu, Ms. Wong and Mr. Lui Hung Yen ("Mr. Lui"), respectively. Mr. Zhang is deemed to be interested in all the Shares held by Victory Stand under the SFO. Ms. Wong and Mr. Wu are the executive Directors. Each of Ms. Wong and Mr. Wu is a director of Victory Stand.

Save as disclosed above, as at 30 June 2016, 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.

SHARE OPTION SCHEME

The Company had adopted a share option scheme (the "Share Option Scheme") on 2 November 2013.

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 three months ended 30 June 2016.



MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 for the three months ended 30 June 2016.

AUDIT COMMITTEE

The Company has established an audit committee with its terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the audit committee are (i) to review the financial systems of the Group; (ii) to review the accounting policy, financial position and financial reporting procedures of the Group; (iii) to communicate with external auditors; (iv) to assess the performance of internal financial and audit personnel; and (v) to assess the internal controls of the Group. The audit committee has reviewed the unaudited condensed consolidated financial statements and the results of the Group for the three months ended 30 June 2016 and this report, and considered that the results and this report have been prepared in accordance with the applicable accounting standards and requirements.

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

Hong Kong, 10 August 2016

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