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)

Third 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 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 and nine months ended 31 December 2016 (hereinafter the nine months ended 31 December 2016 are referred to as the "Reporting Period"), together with the unaudited comparative figures for the respective corresponding periods in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and nine months ended 31 December 2016

	Notes	Three months ended 31 December 2016 HK$'000 (Unaudited)	Three months ended 31 December 2015 HK$'000 (Unaudited)	Nine months ended 31 December 2016 HK$'000 (Unaudited)	Nine months ended 31 December 2015 HK$'000 (Unaudited)
REVENUE	3	92,370	70,304	764,656	204,668
Other income	3	64	241	420	343
Cost of food and beverage		(18,496)	(20,494)	(57,255)	(60,141)
Contract costs		(36,465)	–	(482,961)	–
Staff costs		(29,928)	(21,054)	(78,905)	(62,536)
Depreciation and amortisation		(2,644)	(3,733)	(8,716)	(12,766)
Property rentals and related expenses		(16,017)	(15,289)	(47,729)	(44,904)
Fuel and utility expenses		(1,295)	(1,381)	(4,248)	(4,237)
Administrative and other operating expenses		(9,746)	(9,188)	(36,272)	(24,235)
Finance costs		(425)	(363)	(1,386)	(450)
(LOSS)/PROFIT BEFORE TAX	4	(22,582)	(957)	47,604	(4,258)
Income tax	5	2,831	(723)	(18,964)	(2,150)
(LOSS)/PROFIT FOR THE PERIOD		(19,751)	(1,680)	28,640	(6,408)
Attributable to:					
Owners of the Company		(19,701)	(1,835)	28,580	(6,610)
Non-controlling interests		(50)	155	60	202
		(19,751)	(1,680)	28,640	(6,408)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
– Basic and diluted (HK cents)	6	(4.82)	(0.46)	7.06	(1.65)
(LOSS)/PROFIT FOR THE PERIOD		(19,751)	(1,680)	28,640	(6,408)
OTHER COMPREHENSIVE EXPENSE					
Other comprehensive expense to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		(5,753)	–	(9,410)	–
Other comprehensive expense, net of tax		(5,753)	–	(9,410)	–
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD		(25,504)	(1,680)	19,230	(6,408)
Attributable to:					
Owners of the Company		(25,454)	(1,835)	19,170	(6,610)
Non-controlling interests		(50)	155	60	202
		(25,504)	(1,680)	19,230	(6,408)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 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
Issuance of new shares	90	47,969	–	–	–	–	48,059	–	48,059
Profit for the period	–	–	–	–	–	28,580	28,580	60	28,640
Other comprehensive expenses for the period	–	–	–	–	(9,410)	–	(9,410)	–	(9,410)
Total comprehensive (expenses)/income for the period	–	–	–	–	(9,410)	28,580	19,170	60	19,230
Transfer to statutory reserves	–	–	–	5,361	–	(5,361)	–	–	–
At 31 December 2016 (unaudited)	4,090	75,816	51,567	7,131	(8,923)	23,523	153,204	4,437	157,641
At 1 April 2015 (audited)	4,000	27,847	51,567	–	–	(3,004)	80,410	4,605	85,015
Loss for the period		–	–	–	–	(6,610)	(6,610)	202	(6,408)
Total comprehensive (expense)/ income for the period		–	–	–	–	(6,610)	(6,610)	202	(6,408)
At 31 December 2015 (unaudited)	4,000	27,847	51,567	–	–	(9,614)	73,800	4,807	78,607

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 of Hong Kong Limited (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 Unit No.1002, 10/F, Shui On Centre, 6-8 Harbour Road, Hong Kong.

The Company's principal activity during the nine months ended 31 December 2016 was investment holding. The Group's principal activities during the nine months ended 31 December 2016 were the operation and management of various restaurants and cake shops in Hong Kong and renewable energy business in the People Republic of China (the "PRC').

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2016 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the nine months ended 31 December 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 nine months ended 31 December 2016 have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements for the nine months ended 31 December 2016 are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Group.

3. REVENUE AND OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue				
Restaurant operations	**62,296**	70,304	**190,508**	204,668
Construction contracts	**30,074**	–	**574,148**	–
	92,370	70,304	**764,656**	204,668
Other income				
Interest income	**–**	87	**299**	123
Others	**64**	154	**121**	220
	64	241	**420**	343

4. (LOSS)/PROFIT BEFORE TAX

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

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Cost of food and beverage	18,496	20,494	57,255	60,141
Amortisation of intangible assets	81	79	243	238
Auditors' remuneration	11	–	11	–
Depreciation	2,563	3,654	8,473	12,528
Lease payments under operating lease in respect of land and buildings:				
Minimum lease payments	15,385	14,453	45,814	42,696
Contingent rents	76	336	285	735
	15,461	14,789	46,099	43,431
Contract costs:				
Cost of construction material and supplies	25,734	–	346,582	–
Installation charges	8,053	–	88,320	–
Transportation	593	–	1,864	–
Machine and vehicle rental	617	–	9,478	–
Other expenses	1,468	–	36,717	–
	36,465	–	482,961	–
Employee benefits expenses (excluding directors' and chief executive's remuneration):				
Salaries, wages and other benefits	25,593	19,118	70,325	57,411
Retirement benefits scheme contributions	2,268	722	4,921	2,195
	27,861	19,840	75,246	59,606
Write-off of items of property, plant and equipment	1,885	1,254	1,887	1,254
Exchange differences, net	2	–	–	(17)
Write-off of amount due from a former subsidiary#	–	–	–	6,972
Gain on disposal of subsidiaries#	–	–	–	(6,489)
Donation#	–	–	–	600

included in other operating expenses, net

Tonking New Energy Group Holdings Limited

5. INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Current tax – Hong Kong				
– charge for the period	499	723	1,686	2,150
Current tax – PRC	(3,330)	–	17,278	–
	(2,831)	723	18,964	2,150

Hong Kong

Hong Kong profit tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the nine months ended 31 December 2016 and 2015.

PRC

The PRC Enterprise Income Tax (the "PRC EIT") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of PRC subsidiaries is 25% from 1 January 2008 onwards.

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

The calculation of the basic (loss)/earnings per share attributable to owners of the Company for the three and nine months ended 31 December 2016 was based on (i) the unaudited condensed consolidated (loss)/earnings attributable to owners of the Company of approximately HK$19,701,000 and HK$28,580,000 respectively; and (ii) the weighted average number of 409,000,000 and 404,909,091 ordinary shares in issue during the respective periods.

The calculation of basic loss per share attributable to owners of the Company for the three and nine months ended 31 December 2015 are based on (i) the unaudited condensed consolidated loss attributable to owners of the Company of approximately HK$1,835,000 and HK$6,610,000 respectively; and (ii) the weighted average number of ordinary shares of 400,000,000 and 400,000,000 in issue during the respective periods.

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there are no dilutive potential ordinary shares in issue during the three and nine months ended 31 December 2016 and 2015.

7. DIVIDENDS

No dividends have been paid or declared by the Company during the nine months ended 31 December 2016 and 2015.

BUSINESS REVIEW

Renewable Energy Business

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

During the period from November 2015 to December 2016, Tonking New Energy Technology (Shanghai) Limited*(同景新能源科技(上海)有限公司)has established twelve wholly-owned subsidiaries, namely Jiang Shan Shi Tong Jing Guang Fu Limited*(江山市同景光伏有限公司), Jin Zhai Xian Tong Jing New Energy Limited*(金寨縣同景新能源有限公司), Horqin Left Back Banner Tong Jing New Energy Limited*(科爾沁左翼後旗同景新能源有限公司), Nan Zhang Xian Tong Jing New Energy Limited*(南漳縣同景新能源有限公司), Hong Ze Tong Jing New Energy Limited*(洪澤同景新能源有限公司), Huai Nan Tong Jing New Energy Limited*(淮南市同景新能源有限公司), Zhenping County Tong Jing New Energy Limited*(鎮平縣同景新能源有限公司), Tianchang City Tong Jing New Energy Limited*(天長市同景新能源有限公司), Qing Yang Xian Tong Jing New Energy Limited*(青陽縣同景新能源有限公司), Tong Ling New Energy Limited*(銅陵市同景新能源有限公司), Lin Yi New Energy Limited*(臨沂市同景新能源有限公司) and Ping Yuan Tong Jing New Energy Limited*(平原同景新能源有限公司), as well as one non-wholly-owned subsidiary, Mongolia Tong Yuen New Energy Limited*(內蒙古同源新能源有限公司) for the purpose of strengthening the Group's business development in the renewable energy business.

During the Reporting Period, the revenue for the business of renewable energy 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. The EPC business undertaken by the Group has successfully completed the grid connection of 401.12MW, among which, the grid connection for Hong Dun Zi*(紅墩子) mining zone project of Ningxia Baofeng*(寧夏寶豐) was completed on 27 June 2016. Such project has become one of the largest oblique uniaxial tracking agricultural photovoltaic power stations in the world. 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 Ningxia Baofeng*(寧夏寶豐), Datong Mine Group*(同煤集團), Foster New Energy*(福斯特新能源), Elion Resources*(億利資源), Xinyi Solar*(信義光能) and Jinke Power*(晶科電力) 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, 28 June 2016 and 25 October 2016.

Ningxia Baofeng*(寧夏寶豐): Ningxia Baofeng Energy Group Limited*(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*(同煤集團): Datong Coal Mine Group Co., Ltd.*(大同煤礦集團有限責任公司) 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 Group is responsible for its major construction. Meanwhile the Tong Jing 2nd generation of Dual-Axis Linkage PV Tracking System has been applied in the Photovoltaic Fore-runner Project.

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

Elion Resources*(億利資源): Elion Resources Group*(億利資源集團), one of the top 100 private enterprises in the PRC, is a world-leading ecological restoration enterprise 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 (stock code: 600277SH). It has entered into co-operation of two projects with Tong Jing and the grid connection for Kubuqi desert ecological photovoltaic project has been conducted.

Jinke Power*(晶科電力): Jinke Power Company Limited*(晶科電力有限公司) is located in Haining, Zhejiang, which was established in September 2012 with registered capital of RMB3.65 billion. It is a global clean energy cooperation mainly engaged in the development of solar new energy assets, construction, operation, maintenance, investment and management of power stations, production and sales of power.

During the Reporting Period, the Group entered into strategic cooperative agreement with Lerri Solar Technology Company Limited *(樂葉光伏科技有限公司) and Xian Longji Clean Energy Company Limited*(西安隆基清潔能源有限公司). Lerri Solar Technology Company Limited is one of the two main brands of Xi'an LONGI Silicon Materials Corp.*(西安隆基矽材料股份有限公司) (stock code: 601012SH). Lerri Solar Technology Company Limited is principally engaged in the research and development, production and sales of monocrystalline silicon solar cells and modules. Xian Longji Clean Energy Company Limited is a subsidiary of Xi'an LONGI Silicon Materials Corp. For details, please refer to the announcement of the Company dated 23 August 2016.

During the Reporting Period, the Group has realised the intelligent models of ecological integration in the photovoltaic aspects of agricultural (forestry and animal husbandry), fishery, etc., and the personalized intelligent solutions for hilly land, rooftop, etc. The Group's oblique uniaxial tracking mounting brackets system V3.0, without altering the land use features, has increased power generation volume by 15% to 30% with low operation and maintenance costs, which perfectly combines agriculture and photovoltaics in the oblique uniaxial agricultural photovoltaic tracking system. This has been fully recognised in the industry and by clients. Meanwhile, the Group has endeavored to develop a series of photovoltaic tracking mounting brackets system V4.0 products applicable to hydro-photovoltaics. The successful research and development of this product is the real 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 (fisheries and aquaculture). In particular, the successful research and development of floating oblique uniaxial tracking system, floating flat uniaxial tracking system and floating fastening system, which adopt the perfect combination of FRP independent pontoon and aluminum alloy bracket, in the V4.0 products has overcome the difficulties faced by the industry, such as high costs and low reliability. Compared with fixed hydro-photovoltaic power stations, the power generation volume has seen notable increase, which has achieved a win-win situation from the perspectives of enhancing power generation and reducing investment in systems, which has promoted the Group's core competitiveness in the new energy market.

During the Reporting Period, the Group newly self-developed the all-aluminum-alloy H-shaped flat uniaxial tracking mounting bracket. Its characteristics include a simple but reliable transmission structure, flexible adjustment of the span of foundation according to needs and easy maintenance of the tappet and bearing components. The brackets system matches well with the self-developed tracking program, and the advantages of its newly developed and applied electronic tappet drive device are the lightweight structure, smooth operation and good anti-corrosion properties. Combined with the structural characteristics of the flat uniaxial tracking mounting brackets system in use shows significant enhancement on the tracking accuracy of the brackets, and further improves the power generation efficiency to a significant extent. The advantages of lightness, high resilience and strength, anti-corrosion and recyclability of aluminum alloy are the revolutionary solution to the difficulties that the industry faces, i.e. high costs and low reliability, hence the optimal cost and overall efficiency maximisation are achieved.

Food and Beverage Business

The Group is also operating 11 full-service restaurants and 2 cake shops in Hong Kong as at 31 December 2016, namely "Inakaya", "Harlan's", "Kaika", "Mekikinoginji-Okinawa" in Tuen Mun, Causeway Bay, Tsim Sha Tsui and Mongkok, "Hooray", "Pearl Delights", "PHO Hoi An" in Tsim Sha Tsui and San Po Kong, "Harlan's Cake Shop" and "Carousel", of which some are operated by way of franchising agreement. The Group endeavored to work out the philosophy – "unique dining concepts" through quality dishes accompanied by a pleasant atmosphere and attentive services.

Mekikinoginji-Okinawa

The Group operates three restaurants under the franchise name of "Mekikinoginji-Okinawa" in Tuen Mun, Causeway Bay, Tsim Sha Tsui and one restaurant in Mongkok under the brand name of "Royal Grill Ginji", which is a famous izakaya chain well known for its creative dishes and contemporary interior design in Okinawa Prefecture of Japan. The Brand name of "Royal Grill Ginji" was established under the franchise name "Mekikinoginji-Okinawa", which 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. In coming March 2017, there will have interior renovation for Inakaya which will bring a more refresh and fine-dining image to our customers.

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 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 captured not only frequent dinners but also new customers with a discerning palate.

Hooray

Acclaimed as the sky garden restaurant, Hooray, with a 12,000 sq. ft. venue, continued to explore new cuisine and dining fashions for the young and trend-setting customers. Hooray has established a sharp image for modern and adventurous cuisine which had been popular among the young clientele.

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. After the interior renovation from end of October to early of December 2016, we believe that our new modern design together with new delicate cuisine can attract wide range group of customers including also the young couples.

PHO Hoi An

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

Harlan's Cake Shop

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

FINANCIAL REVIEW

Revenue

For the nine months ended 31 December 2016, the Group recorded an unaudited revenue of approximately HK$764,656,000, representing an increase of approximately 274% compared with approximately HK$204,668,000 of the corresponding period in 2015. The Growth in revenue was mainly attributable to the revenue generated from renewable energy business that the Group commenced operation in the fourth quarter of 2015.

Cost of food and beverage

The cost of food and beverage for the nine months ended 31 December 2016 amounted to approximately HK$57,255,000 (for the nine months ended 31 December 2015: approximately HK$60,141,000). Despite the economic uncertainty looming over Hong Kong, the inflation rate remained at a high level in the market. However, the Group was still able to maintain the overall cost margin at approximately 30% of revenue for both of the nine months ended 31 December 2016 and 2015. The Directors will continue to monitor the cost of food and beverage 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 cost for the nine months ended 31 December 2016 was approximately HK$482,961,000 (2015: nil). The costs was derived from the renewable energy business which was mainly represented by the cost of construction materials and supplies, installation charges, transportation, machine and vehicle rental and other expenses.

Staff costs

The staff costs increased by approximately 26% to approximately HK$78,905,000 for the nine months ended 31 December 2016 (for the nine months ended 31 December 2015: approximately HK$62,536,000). The increase was mainly attributable to the increase in the number of staff for the renewable energy business.

Depreciation and amortisation

Depreciation and amortisation decreased by approximately 32% to approximately HK$8,716,000 for the nine months ended 31 December 2016 (for the nine months ended 31 December 2015: approximately HK$12,766,000). The decrease was mainly attributable to full depreciation of certain assets in the Group.

Property rentals and related expenses

The property rentals and related expenses for the nine months ended 31 December 2016 amounted to approximately HK$47,729,000 (for the nine months ended 31 December 2015: approximately HK$44,904,000), representing an increase of approximately 6% as compared to the corresponding period in 2015. Such increase was mainly attributable to the newly rented offices for the renewable energy business.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately 50% to approximately HK$36,272,000 for the nine months ended 31 December 2016 from approximately HK$24,235,000 for the corresponding period in 2015. Such increase was mainly due to the operation of the renewable energy business.

Finance costs

Finance costs amounted to approximately HK$1,386,000 for the nine months ended 31 December 2016 (for the nine months ended 31 December 2015: HK$450,000), which comprised interest expenses amounting to approximately HK$1,089,000 for the promissory note issued by the Group to an independent third party.

Net profit

For the nine months ended 31 December 2016, the Group recorded profit attributable to owners of the company of approximately HK$28,580,000 (For the nine months ended 31 December 2015: loss of approximately HK$6,610,000.) 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 Notice of Adjustments to the Price of Photovoltaic Power issued by the National Development and Reform Commission on 26 December 2016 expressly requires reasonable guidance on the optimization of layout planning of the photovoltaic power industry, encourages the eastern region to develop new energy nearby and encourages the adoption of tendering and other market-oriented methods to determine the price of new energy. The Notice will further implement the target requirements as stated in the Energy Development Strategic Action Plan (2014-2020) issued by the General Office of the State Council in relation to the realisation of grid parity of wind power and photovoltaic power by 2020 and the reduction of the benchmark on-grid tariffs of the newly constructed photovoltaic power stations after 1 January 2017 and the newly approved construction of onshore wind power stations after 1 January 2018. The introduction of the Notice has prompted all photovoltaic enterprises to adopt more reliable tracking system to boost generating capacity in order to improve the price-performance ratio of photovoltaic generation.

The Group has been focusing on the research and development of tracking system and boosting of generating capacity so as to achieve optimal power generation cost and has successfully constructed numerous intelligent photovoltaic ecological composite projects. The Group insists on technological innovation to promote healthy and sustainable development and captures the market by technological advancement. The patented technological products of the Group include but not limited to the manually adjustable, oblique uniaxial, flat uniaxial, dual-axis tracking mounting brackets systems. Its products can be widely applied on the ground, rooftop, above the water, etc. The Group's products are always on the forefront of the sector of photovoltaic tracking systems with improved versions developed. During the Reporting Period, the Group newly self-developed the all-aluminum-alloy H-shaped flat uniaxial tracking mounting bracket, which possesses the advantages of lightness, high resilience and strength, anti-corrosion and recyclability of aluminum alloy. It is the revolutionary solution to the difficulties that the industry faces, i.e. high costs and low reliability, hence the optimal cost and overall efficiency maximisation are achieved. The Group is by now the only provider of aluminum alloy tracking mounting brackets systems solutions. As its research and development and promotion of new products are catered to the different needs of clients in the market, the Group has always been adhering to the client-oriented philosophy. Through the creation of a variety of new and intelligent photovoltaic station models for clients according to the different conditions in their locality, the Group provides a truly one-stop value-added solution to its clients. The Group believes that as power pooling has become the major development trend in the market, in the photovoltaic market where technological development becomes increasingly mature, the Group's photovoltaic tracking system enjoying technological advantage will gain more recognition and popularity among its peers in the industry, it will become much more competitive over time with a surging number of power stations applying such technology.

Usage of Net Proceeds from Fund-raising Activity

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 in accordance with the terms and conditions of the Placing Agreement. 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. The net proceeds from the Placing were approximately HK$48 million. The proceeds from the Placing are intended to be used to finance the business activities and operations of the renewable energy business, including the construction and operation of solar power stations. As of 31 December 2016, the Group has used approximately HK$21 million of net proceeds from the Placing for the project with Ningxia Baofeng* (寧夏寶豐) - approximately HK$23 million for the project with Xinyi in Wuwei, and approximately HK$2 million for photovoltaic industry-related professional training. The balance of net proceeds of approximately HK$2 million is placed in the Group's bank account and will continue to be used to finance the business activities and operations of the renewable energy business.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 31 December 2016, the share capital and equity attributable to owners of the Company amounted to HK$4,090,000 and approximately HK$153,204,000 respectively (as at 31 March 2016: HK$4,000,000 and approximately HK$85,975,000 respectively).

Cash position

As at 31 December 2016, the cash and cash equivalents of the Group amounted to approximately HK$37,600,000 (as at 31 March 2016: approximately HK$21,991,000), representing an increase of approximately 71% as compared to that as at 31 March 2016.

Borrowing

As at 31 December 2016, total borrowing of the Group amounted to HK$37,089,000 (as at 31 March 2016: approximately HK$36,785,000) which was derived from the issuance of a promissory note. On 9 September 2015, the Group issued a promissory note to an independent third party with an aggregate principal amount to HK$36,000,000 which bears an interest rate of 4% per annum for a term of two years.

Pledge of assets

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

Gearing ratio

As at 31 December 2016, the gearing ratio of the Group was approximately 27% (as at 31 March 2016: approximately 37%). The gearing ratio is calculated based on the total debt at the end of the period/year divided by the total debt plus total equity at the end of the respective period/year. Total debt represents all liabilities excluding trade payables, other payables and accruals, tax payables and provision for reinstatement costs.

COMPETING BUSINESS

For the nine months ended 31 December 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 nine months ended 31 December 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 31 December 2016, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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)*	115,387,000	28.21%
Mr. Xu Shui Sheng	Beneficial owner	3,355,500	0.82%
Ms. Shen Meng Hong	Beneficial owner	1,118,500	0.27%

Note:

These 115,387,000 Shares are totally held by Rise Triumph Limited and Signkey Group Limited, of which 111,850,000 shares are held by Rise Triumph Limited and 3,537,000 shares are held by Signkey Group Limited. Mr. Wu Jian Nong beneficially owns 96% and 85% of the issued share capital of Rise Triumph Limited and 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 December 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 31 December 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 Shareholders	Nature of Interest	Number of Shares interested	Approximate percentage of shareholding
Rise Triumph Limited *(Note 1)*	Beneficial owner	111,850,000	27.35%
Victory Stand *(Note 2)*	Beneficial owner	103,000,000	25.18%

Note:

1. 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.

2. These 103,000,000 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, Ms. Wong Wai Ling and Mr. Lui Hung Yen, respectively. Mr. Wu is deemed to be interested in all the Shares held by Victory Stand under the SFO.

Save as disclosed above, as at 31 December 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 and 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 nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 Jian Nong
Chairman

Hong Kong, 10 February 2017

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