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)

2017
FIRST QUARTERLY REPORT

* 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 2017, together with the unaudited comparative figures for the respective corresponding periods in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months ended 30 June 2017

	Notes	Three months ended 30 June 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
REVENUE	3	353,719	495,902
Other income	3	111	121
Cost of food and beverage	4	(16,055)	(19,071)
Contract costs	4	(255,954)	(349,295)
Staff costs		(24,329)	(25,576)
Depreciation and amortisation		(3,413)	(2,519)
Property rentals and related expenses		(13,584)	(15,963)
Fuel and utility expenses		(1,268)	(1,390)
Administrative and other operating expenses		(22,502)	(11,839)
Finance cost		(467)	(416)
PROFIT BEFORE TAX	4	16,258	69,954
Income tax expense	5	(2,546)	(19,549)
PROFIT FOR THE PERIOD		13,712	50,405
Attributable to:			
Owners of the Company		13,802	50,393
Non-controlling interests		(90)	12
		13,712	50,405
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	6	3.37	12.60

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2017

	Three months ended 30 June	
	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
PROFIT FOR THE PERIOD	13,712	50,405
OTHER COMPREHENSIVE INCOME (EXPENSE)		
Other comprehensive income (expense) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	3,801	(2,818)
Other comprehensive income (expense), net of tax	3,801	(2,818)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	17,513	47,587
Attributable to:		
Owners of the Company	17,715	47,575
Non-controlling interests	(202)	12
	17,513	47,587

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2017

	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$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2017 (audited)	4,090	75,815	51,567	6,634	(7,461)	21,432	152,077	4,309	156,386
Issuance of new shares	–	–	–	–	–	–	–	–	–
Profit for the period	–	–	–	–	–	13,802	13,802	(90)	13,712
Other comprehensive income for the period	–	–	–	–	3,913	–	3,913	(112)	3,801
Total comprehensive income for the period	–	–	–	–	3,913	13,802	17,715	(202)	17,513
Partial disposal of a subsidiary	–	–	4,852	(46)	–	122	4,928	17,331	22,259
At 30 June, 2017 (unaudited)	4,090	75,815	56,419	6,588	(3,548)	35,356	174,720	21,438	196,158
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 expenses 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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2017

1. GENERAL INFORMATION

Tonking New Energy Group Holdings Limited (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 P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is at Unit No.1002, 10th Floor, Shui On Centre, 6-8 Harbour Road, Hong Kong.

During the three months ended 30 June 2017, 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.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the three months ended 30 June 2017 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 2017 are consistent with those adopted in the Group's annual financial statements for the year ended 31 March 2017, 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 2017. The unaudited condensed consolidated financial statements for the three months ended 30 June 2017 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 26 June 2017.

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 2017 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 2017.

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 2017 have been prepared under the historical cost convention.

3. REVENUE AND OTHER INCOME

	Three months ended 30 June	
	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Revenue		
Restaurant operations	54,755	63,182
Construction contracts	298,964	432,720
	353,719	495,902
Other income		
Interest income	40	–
Others	71	121
	111	121

4. PROFIT BEFORE TAX

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

	Three months ended 30 June	
	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Cost of food and beverage	16,055	19,071
Amortisation of intangible assets	60	81
Depreciation	3,353	2,438
Lease payments under operating lease in respect of land and buildings:		
Minimum lease payments	12,685	15,220
Contingent rents	85	113
	12,770	15,333
Contract costs:		
Cost of construction material and supplies	236,396	281,909
Subcontracting charges and labour costs	16,615	58,257
Transportation	1,625	999
Machine and vehicle rental	515	6,970
Other expenses	803	1,160
	255,954	349,295
Employee benefits expenses (excluding directors' and chief executive's remuneration):		
Salaries, wages and other benefits	22,383	24,258
Retirement benefits scheme contributions	1,276	718
	23,659	24,976
Exchange differences, net	19	(22)

5. INCOME TAX EXPENSE

	Three months ended 30 June	
	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Current tax – Hong Kong		
– charge for the period	519	624
Current tax – PRC	2,027	18,925
	2,546	19,549

Hong Kong

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 2017 and 2016.

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

For the three months ended 30 June 2017, 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 HK13,802,000 and (ii) the weighted average number of ordinary shares 409,000,000 in issue.

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.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the three months ended 30 June 2017 and 2016.

7. DIVIDENDS

No dividend has been paid or declared by the Company for the three months ended 30 June 2017 and 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Renewable Energy Business

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

As of 30 June 2017, Tonking New Energy Technology (Shanghai) Limited*（同景新能源科技（上海）有限公司） has established ten wholly-owned subsidiaries, namely Jiang Shan Shi Tong Jing Guang Fu Limited*（江山市同景光伏有限公司）, Horqin Zuo Yi Hou Qi 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 Shi 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）, Qing Yang Shi Tong Jing New Energy Limited*（青陽縣同景新能源有限公司）, Tong Ling Shi New Energy Limited*（銅陵市同景新能源有限公司）, Lin Yi Shi 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 two non-wholly-owned subsidiaries, namely, Jin Zhai Xian Tong Jing New Energy Limited*（金寨縣同景新能源有限公司） and Inner Mongolia Tong Yuen New Energy Limited*（內蒙古同源新能源有限公司） for the purpose of accelerating the Group's business development in the renewable energy business.

During the reporting period, total realised revenue for the business of renewable energy recorded was approximately HK$298,964,000 (2016 corresponding period: approximately HK$432,720,000), which was mainly attributable to the one-stop value-added solutions provided by photovoltaic power station and the business of sales of the patented photovoltaic tracking systems. During the reporting period, the total installed capacity entered into by the Group was 141.764MW.

During the reporting period,

(1) The Group has signed an agreement related to the photovoltaic pump project in Egypt with GEE Green Energy Ltd.. As the first foreign trade order that the Group undertook during its expansion into the international market, the project marks that the Group has stridden a new step forward in its exploration of the international photovoltaic market. The H-shaped flat uniaxial tracking mounting bracket system, which is the Group's self-developed tracking system that supports photovoltaic pump, has been applied in the project. The single push-rod structure can meet various requirements during the construction and operation of photovoltaic pumps, with annual power generating capacity increasing by over 19% as compared to that of mounting bracket.

(2) The Group has entered into a contract with Shanghai Solar Energy Science & Technology Co., Ltd.*（上海太陽能科技有限公司） related to the procurement of flat uniaxial tracking mounting bracket system for the 50MW photovoltaic fore-runner project in Yangquan, Shanxi. Yangquan City is a national photovoltaic fore-runner base approved by the National Energy Administration. The Group's self-developed H-shaped flat uniaxial photovoltaic tracking mounting bracket system for mountains has been applied in the project. Such mounting bracket is applicable to the complex coal-mining subsidence area as its foundation span is flexibly adjustable and not constrained by the structure.

(3) The Group has entered into a contract with China Power Guorui Logistics Company Limited*（中電國瑞物流有限公司） related to the procurement of photovoltaic mounting bracket for the 80MW power generating project in China Power's national ecological photovoltaic fore-run demonstration base in Shuiyudong, Ruicheng. Ruicheng County is a national photovoltaic fore-runner base approved by the National Energy Administration. The Group's self-developed H-shaped flat uniaxial photovoltaic tracking mounting bracket system for mountains has been applied in the project. Such mounting bracket is applicable to the complex coal-mining subsidence area as its foundation span is flexibly adjustable and not constrained by the structure. Completion of the project can serve as an important demonstration in terms of comprehensive utilization of land in subsidence areas, improving energy structure of the region, environmental pollution reduction, promoting transformation of regional economy, effectively increasing the regional employment rate, peasants' income and fiscal income, as well as poverty elimination, etc.

(4) The Group cooperated with Shijiazhuang Dongfang Thermoelectricity Thermal Engineering Co. Ltd.* (石家莊東方熱電熱力工程有限公司), a subsidiary of SPIC Hebei Electric Power Co., Ltd, in the development of the 1.78MWp photovoltaic Project in Suohuang Town, Pingding County, Yangquan City, Shanxi Province. The oblique uniaxial tracking mounting brackets system independently developed by the Group for the project did not change the nature of agricultural land or affect the operation of large agricultural machinery, providing clients with a combination of photovoltaic power generation and agriculture.

(5) The Group entered into the EPC master contract with the Villagers' Committee of Xiehe Village, Shucheng County on the poverty alleviation project of the tracking photovoltaic generation combining with agriculture, for the 72KW village-level photovoltaic poverty-alleviation power plant in Xiehe Village, Shucheng County, Anhui Province. The oblique uniaxial tracking mounting brackets system independently developed by the Group for the project featured with strong wind resistance and high stability and could improve the power generation efficiency.

(6) The Group entered into the purchase and installation contract with the Villagers' Committee of Aoshang Villagee, Tongzhong Town, Chongyang County for the 120KW photovoltaic poverty-alleviation power plant project in Aoshang Village, Tongzhong Town, Chongyang County. The oblique uniaxial tracking mount system independently developed by the Group for the project increased power generation and reduced power costs, providing local poor households with long-lasting and reliable returns.

(7) The Group entered into the purchase and installation contract with the Villagers' Committee of Bankeng Village, Lukou Town, Chongyang County for the 60KW photovoltaic poverty-alleviation power plant in Bankeng Village, Lukou Town, Chongyang County. The oblique uniaxial tracking mounting brackets system independently developed by the Group for the project achieved photovoltaic power generation above the board and planting and breeding below the board, providing a lot of jobs to poor villagers and aged labors, ensuring long-term, stable income growth and promoting the rapid development of the village's collective economy.

(8) The Group entered into the purchase and installation contract with Henan Sijian Engineering Co., Ltd.* (河南四建工程有限公司) for the floating photovoltaic system equipment of the SPIC Zhengjiang-Jiangshan-Shangyu 20MWp photovoltaic power plant project combining fishery and photovoltaic generation. The floating aluminum-alloy fixed mounting brackets system independently developed by the Group was used for the project, the first floating project combining fishery and photovoltaic generation that is invested by the SPIC. Its unique environment-friendly pontoon design and high-tension resistant full aluminum-alloy vertical pillars helped achieve optimized costs and maximized comprehensive benefits.

(9) The Group entered into the purchase and installation contract with Yinchuan Binhe New Energy Investment Development Co., Ltd.* (銀川濱河新能源投資開發有限公司) for the subsequent 55MWp uniaxial photovoltaic tracking mounting brackets of Phase II of the Baofeng Project. 350MW of Phase I has already been completed and put into use.

The Group will continue to focus on the development of photovoltaic tracking systems applicable to various complex terrains, so as to make new technology breakthroughs and provide customers with comprehensive, efficient integrated solutions of solar energy systems.

The Group adheres to promoting healthy and sustainable development based on technological innovation, occupying the market with advanced technologies, increasing investment in technology research and carrying out the market-oriented, customer-centered philosophy. Based on its many years' experience in new energy and careful analysis of China's policies, it can provide customers with an ecological integration intelligence mode combining agriculture (forestry and animal husbandry), fishery and photovoltaic generation, as well as personalized intelligent solutions for mountains, roofs, etc.

With the outstanding core competitiveness bringing by its own patented proprietary technological products, the Group's market share has achieved a steady growth. The Group actively participates in various projects such as photovoltaic fore-runner projects, photovoltaic poverty alleviation projects and distributed photovoltaic projects, helping to solve the problem of electricity consumption in poor areas and provide a long-term source of stable income to poor people on the one hand, while demonstrating the competitive strength and technology strength of the Group's products through fore-runner projects on the other hand. Meanwhile, our floating pontoon has successfully passed the European Union RoHS quality standards certification, marking that the Group has become the first supplier certificated by the TUV SUD Hydro-photovoltaic Bracket System in the PRC. Our "power distribution cabinet tracker" has passed the 3C certification.

Food and Beverage Business

The Group is also operating 12 full-service restaurants and 2 cake shops as at 30 June 2017, namely "Inakaya", "LE 39V", "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 the 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 March 2017, Inakaya was closed for interior renovation and the restaurant was re-opened in mid of April 2017. The brand new Inakaya evokes not only a modern interpretation, but also retain the traditional image of Tokyo.

Harlan's

With an inviting ambience and plush interior design, Harlan's successfully 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.

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. We believe that our new modern design together with new delicate cuisine can attract wide range group of customers, including but not limited to 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.

LE 39V

The Group operates a new French fine dining restaurant "LE 39V" at ICC, Hong Kong in June 2017 under a franchise agreement. The founder of LE 39V in Paris was granted the first Michelin Star for "LE 39V" in MICHELIN® Guide of 2012. With the fascinating view of the Victoria Harbour and refined interior design, customers can enjoy the traditional and delicated french recipe with perfectly matched fine wine.

FINANCIAL REVIEW

Revenue

For the three months ended 30 June 2017, the Group recorded revenue of approximately HK$353,719,000 (2016: approximately HK$495,902,000), representing an decrease of approximately 29% compared with 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 2017 amounted to approximately HK$16,055,000 (2016: approximately HK$19,071,000). 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 2017 and 2016. 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 2017 was approximately HK$255,954,000 (2016: 349,295,000). The costs were derived from the renewable energy business which was mainly attributable to the cost of construction materials and supplies, subcontracting charges and labour costs, transportation, machine and vehicle rental and other expenses.

Staff costs

The staff costs decreased by approximately 5% to approximately HK$24,329,000 for the three months ended 30 June 2017 (2016: approximately HK$25,576,000).

Depreciation and amortisation

Depreciation and amortisation increased by approximately 35% to approximately HK$3,413,000 for the three months ended 30 June 2017 (2016: approximately HK$2,519,000). The reason of such significant increase was mainly due to the increase in property, plant equipment by renovation of new and existing outlets in food and beverage business.

Property rentals and related expenses

The property rentals and related expenses for the three months ended 30 June 2017 amounted to approximately HK$13,584,000 (2016: approximately HK$15,963,000), representing an decrease of approximately 15% as compared to the corresponding period in 2016. The decrease was mainly derived from rent-free period offered in new tenancy of outlets for renovation in food and beverage business.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately 90% to approximately HK$22,502,000 for the three months ended 30 June 2017 from approximately HK$11,839,000 for the corresponding period in 2016. The increase was mainly derived from the renewable energy business that commenced in fourth quarter of 2016.

Finance costs

Finance costs amounted to approximately HK$467,000 for the three months ended 30 June 2017 (2016: HK$416,000), which comprised of interest expenses amounting to approximately HK$365,000 that was derived from the promissory note issued by the Group to an independent third party.

Net profit for the period

The Group recorded profit attributable to owners of the Company of approximately HK$13,802,000 (2016: profit of approximately HK$50,393,000). The profit was mainly attributable to the profit from renewable energy business that the Group commenced operation in the fourth quarter of 2015.

Bonus Issue

The Board proposed to distribute three (3) bonus shares for every one (1) existing ordinary share (2016: nil) held by the qualifying shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 10 October 2017.

FUTURE PROSPECTS

The year 2017 is a key year for the Group to accelerate its growth. The photovoltaic market in China is still in good shape and the total market demand is still large:

1. The Notice of Adjustments to the Price of Photovoltaic Power issued by the National Development and Reform Commission (NDRC) on 26 December 2016 expressly requires to make reasonable guidance on the optimisation of layout planning of the photovoltaic power industry, encourage the eastern region to develop new energy nearby and encourage the adoption of tendering and other market-oriented methods to determine the electricity 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 reduce 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 power generation.

2. The "Energy Production and Consumption Revolution Strategy" issued by the NDRC and the Energy Bureau (hereinafter referred to as the "Strategy") pointed out that the incremental demand mainly depends on clean energy. We should pursue the distributed and centralised development simultaneously, with distributed utilization as the priority, to promote the renewable energy development at a high proportion. We should vigorously develop wind energy and solar energy, continuously improve the efficiency of power generation, reduce the cost of power generation, and achieve the equal competition with conventional power. The Strategy certainly will lead to further promotion of photovoltaic tracking system, thereby pushing the photovoltaic industry to reduce costs, while improving the efficiency of photovoltaic power generation.

3. The National Energy Administration issued the "Guidance Opinion on Implementation of the 13th Five-year Plan on Renewable Energy Development" on 19 July 2017, in which it has proposed the scale of new photovoltaic power and wind power construction during 2017-2020 at the same time. The document pointed out that construction of photovoltaic fore-runner projects with a capacity of 8GW will be designated as the annual target for 2017-2020 during which new photovoltaic power generating stations with a capacity of 86.5GW in total will be built. According to the guidance opinion, it is encouraged that various measures should be taken to diversify the sources of subsidies and innovative development models should be adopted to drive technology advancement and cost reduction in order to reduce the demand for subsidies. This is in favor of the market expansion and the future market share improvement of the photovoltaic tracking system.

Looking forward, the Group will, on the one hand, increase the proportion of R&D investment, focusing on the research and development of high quality, leading photovoltaic tracking system products with sustained market competitiveness. Through innovation, we aim to improve product performance, reduce power generation cost and promote grid parity. With its own resources and competitive advantages, the Group actively promote the photovoltaic 'fore-runner' project and photovoltaic poverty alleviation project. At the same time, we will continue to maintain the cooperation with large enterprise groups in the industry, so as to increase the market share of the Group's photovoltaic tracking system in the industry. On the other hand, based on the steady development of domestic business, we should expand the market share in the international market. With the sustained global concern on the environmental protection, as well as the great impetus of "The Belt and Road" policy to the application of renewable energy by alongside countries and regions, the Group will also grasp its technical advantages and successful experience to actively deploy overseas market and its products has passed UL and relevant international certification standards. Currently, the Group has made cooperation with Egypt, and is planning to sell its products to Africa, India, Southeast Asia and other countries in the future.

We believe that under the joint efforts of the Group as a whole, 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, and it will become much more competitive over time with a surging number of power stations applying such technology.

Liquidity, Financial and Capital Resources

Capital structure

As at 30 June 2017, the share capital and equity attributable to owners of the Company amounted to HK$4,090,000 and approximately HK$170,630,000 respectively (2016: HK$4,000,000 and approximately HK$133,550,000 respectively).

Cash position

As at 30 June 2017, the cash and cash equivalents of the Group amounted to approximately HK$127,769,000 (2016: approximately HK$44,580,000), representing increase of approximately 187% as compared to that as at 30 June 2016.

Borrowings

As at 30 June 2017, total borrowings of the Group amounted to approximately HK$37,812,000 (2016: 36,340,000) which was derived from the issue of a promissory note. On 9 September 2015, the Group issued a promissory note to an independent third party with an aggregate principal amount of HK$36,000,000 which bears an interest rate of 4% per annum for a term of two years.

Pledge of assets

As at 30 June 2017 and 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.

Gearing ratio

As at 30 June 2017, the gearing ratio of the Group was approximately 28% (2016: approximately 28%). 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, bills payable, other payables and accruals, receive in advance, tax payable and provision for reinstatement costs.

SUBSEQUENT EVENT

Termination of issue of unlisted warrants

On 19 May 2017 (after trading hours), the Company and the Subscriber entered into the Warrant Subscription Agreement whereby the Company has agreed to issue and the Subscriber has agreed to subscribe for 65,000,000 Warrants at the Issue Price of HK$0.05 per Warrant. Each Warrant carries the right to subscribe for one Warrant Share. The issuance of Warrants will entitle the Warrant Holders to subscribe for an aggregate of up to 65,000,000 Warrant Shares at a Subscription Price of HK$4.45 per Warrant Share during the Exercise Period.

On 5 June 2017 (after trading hours), the Company and the Subscriber entered into a Warrant Subscription Supplemental Agreement to the Warrant Subscription Agreement, pursuant to which the issue of the Warrants will be further subject to the passing by the shareholders, at an extraordinary general meeting to be convened by the Company of the necessary resolutions approving the Warrant Subscription Agreement and the transactions contemplated thereunder, including the issue of the Warrants and grant of a specific mandate to the Directors for issuance of the Warrants and allotment and issuance of the Warrant Shares upon the exercise of the Warrant Subscription Rights.

On 18 July 2017, subsequent to the entering into of the Warrant Subscription Agreement on 19 May 2017 and the Warrant Subscription Supplemental Agreement on 5 June 2017, the Company and the Subscriber have renegotiated certain terms of the same, but have yet to reach neither a conclusion nor any consensus on those terms to be renegotiated. As such, the Company and the Subscriber have entered into a termination agreement on 18 July 2017 whereby the parties agreed to terminate the Warrant Subscription Agreement and the Warrant Subscription Supplemental Agreement. Accordingly, all obligations of each of the Company and the Subscriber under the Warrant Subscription Agreement and the Warrant Subscription Supplemental Agreement cease and determine and it is confirmed that no parties have committed any antecedent breach of the same.

For details, please refer to the Company's announcement dated 18 July 2017.

Proposed Bonus Issue of Shares

On 11 August 2017, the Board proposed to increase the share capital of the Company by capitalizing the share premium of the Company and bonus shares will be allotted, issued and despatched to the qualifying shareholders on the basis of three (3) bonus shares for every one (1) existing ordinary share held by the qualifying shareholders whose names are shown on the register of members of the Company on 10 October 2017, being the record date for determination of entitlements to the bonus issue ("Bonus Issue").

Based on the total of 409,000,000 shares in issue as at 31 July 2017 and assuming no further shares will be issued or repurchased before 10 October 2017, approximately 1,227,000,000 bonus shares ("Bonus Shares") will be issued under the Bonus Issue. The share capital of the Company will increase from HK$4,090,000 to HK$16,360,000 upon completion of the proposed Bonus Issue. The amount of HK$12,270,000 will be capitalized from the Company's share premium account.

The proposed Bonus Issue and the increase in the Company's share capital will be conditional upon:

(i) the approval of the Bonus Issue by the shareholders at an extraordinary general meeting;

(ii) the grant of listing approval, and permission to deal in, the Bonus Shares by the Listing Committee of the Stock Exchange; and

(iii) compliance with the relevant legal procedures and requirement (if any) under the applicable laws of the Cayman Islands and the articles of association of the Company.

CLOSURE OF REGISTER OF MEMBERS FOR BONUS ISSUE

For the purpose of determining shareholders' entitlements under the proposed Bonus Issue, the register of members of the Company will be closed on Monday, 9 October 2017 and Tuesday, 10 October 2017, during which period no transfer of shares will be registered. The record date for determination of entitlements under the Bonus Issue will be on Tuesday, 10 October 2017. Shareholders whose names appear on the register of members of the Company on Tuesday, 10 October 2017 will be entitled to receive the Bonus Shares. In order to qualify for the Bonus Issue, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Friday, 6 October 2017.

Bonus Shares will be allotted, issued and despatched to the qualifying shareholders of the Company on Tuesday, 17 October 2017 subject to the shareholders' approval at an extraordinary general meeting to be convened. It is expected that a circular containing, amongst other things, the details of the Bonus Issue and notice convening the extraordinary general meeting will be despatched to the shareholders of the Company on or about 14 September 2017.

CORPORATE GOVERNANCE CODE

During the three months ended 30 June 2017, 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, except for the deviation from code provision A.2.1 as described below.

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wu Jian Nong, being the executive director of the Company since 1 October 2015, has been appointed as the Chief Executive Officer and Vice Chairman of the Company on 21 November 2015 and redesignated from vice chairman to chairman of the Board on 11 August 2016. Mr. Wu Jian Nong served as the chairman of the Board and chief executive officer of the Company with effect from 11 August 2016. The Company does not at present separate the roles of the chairman of the Board and chief executive officer of the Company. As Mr. Wu Jian Nong has extensive experience in the renewable energy industry and is responsible for the overall corporate strategies, planning and business development of the Company, the Board believes that vesting the roles of both chairman and chief executive officer in the same individual can provide the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies, notwithstanding that it is a deviation from code provision A.2.1 of the Code.

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

COMPETING BUSINESS

For the three months ended 30 June 2017, 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 2017.

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 2017, 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)*	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 30 June 2017, 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 2017 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%
Mr. Wang Xia *(Note 3)*	Beneficial owner	3,890,000	0.95%
	Interest of controlled corporation	65,000,000	15.89%
Synertone Holdings Group Limited *(Note 3)*	Interest of controlled corporation	65,000,000	15.89%
China Stem Education Foundation Limited *(Note 3)*	Beneficial owner	65,000,000	15.89%

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 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.

3. Such long positions represent derivative interests in 65,000,000 underlying shares of the Company held by China Stem Education foundation Limited. China Stem Education Foundation Limited is wholly owned by Synertone Holdings Group Limited, which is in turn wholly owned by Mr. Wang Xia. On 19 May 2017, China Stem Education Foundation Limited entered into a Warrant Subscription Agreement with the Company pursuant to which China Stem Education Foundation Limited conditionally agreed to subscribe for and the Company conditionally agreed to issue 65,000,000 unlisted warrants under general mandate. Such unlisted warrants were convertible into 65,000,000 warrant shares upon exercise of the subscription rights. A supplemental agreement was entered into on 5 June 2017 pursuant to which the aforesaid issue of warrants would be subject to specific mandate.

   Each of Mr. Wang Xia and Synertone Holdings Group Limited are deemed to be interested in the underlying shares of the Company held by China Stem Education Foundation Limited by virtue of Part XV of the SFO.

   The warrant subscription agreement dated 19 May 2017 and the supplemental warrant subscription agreement dated 5 June 2017 were terminated by virtue of a termination agreement entered into between China Stem Education Foundation Limited and the Company on 18 July 2017.

Save as disclosed above, as at 30 June 2017, 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 2017.

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 2017.

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 2017 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
Mr. Wu Jian Nong
Executive Director, Chairman of the Board and Chief Executive Officer

Hong Kong, 11 August 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 Mr. Yuan Jiangang, Ms. Wang Xiaoxiong and Mr. Zhou Yuan.