



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
INTERIM REPORT



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

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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 (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 six months ended 30 September 2017, together with the unaudited comparative figures for the respective corresponding periods in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2017

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)
CONTINUING OPERATIONS					
REVENUE	4	147,486	111,354	446,450	544,074
Other income	4	1,001	229	1,110	342
Contract costs	5	(125,451)	(97,201)	(381,405)	(446,496)
Staff costs		(2,252)	(3,928)	(8,356)	(9,886)
Depreciation and amortisation		(449)	(966)	(684)	(1,000)
Property rentals and related expenses		(998)	(666)	(1,983)	(1,570)
Fuel and utility expenses		(11)	(1)	(24)	(8)
Administrative and other operating expenses		(258)	(8,427)	(17,009)	(14,568)
Finance costs		(314)	(180)	(416)	(256)
PROFIT BEFORE TAX	5	18,754	214	37,683	70,632
Income tax expense	6	(5,066)	(1,683)	(7,093)	(20,608)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		13,688	(1,469)	30,590	50,024
DISCONTINUED OPERATIONS					
Loss for the period from discontinued operations	15	(3,591)	(545)	(6,781)	(1,633)
PROFIT/(LOSS) FOR THE PERIODS		10,097	(2,014)	23,809	48,391
Attributable to:					
Owners of the Company					
– Continuing operations		13,383	(1,469)	30,172	50,024
– Discontinued operations		(3,580)	(643)	(6,567)	(1,743)
		9,803	(2,112)	23,605	48,281
Non-controlling interests					
– Continuing operations		305	–	418	–
– Discontinued operations		(11)	98	(214)	110
		294	98	204	110
Profit/(loss) for the periods		10,097	(2,014)	23,809	48,391
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
– Continuing operations	7	1.64*	(0.18)	3.69	6.21
– Discontinued operations		(0.44)*	(0.08)	(0.80)	(0.22)
		1.20*	(0.26)	2.89	5.99

* Adjusted for the bonus issue of shares which was completed on 1 November 2017.



**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME** (Continued)

For the three and six months ended 30 September 2017

Notes	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)
OTHER COMPREHENSIVE EXPENSE				
<i>Other comprehensive expense to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	4,205	(839)	8,006	(3,657)
Other comprehensive expense, net of tax	4,205	(839)	8,006	(3,657)
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	14,302	(2,853)	31,815	44,734
Attributable to:				
Owners of the Company				
– Continuing operations	17,588	(2,308)	38,290	46,367
– Discontinued operations	(3,580)	(643)	(6,567)	(1,743)
	14,008	(2,951)	31,723	44,624
Non-controlling interests				
– Continuing operations	305	–	306	–
– Discontinued operations	(11)	98	(214)	110
	294	98	92	110
	14,302	(2,853)	31,815	44,734



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 September 2017*

<i>Notes</i>	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	55,383	69,289
Intangible assets	6,299	3,356
Non-current rental deposits	374	15,838
Total non-current assets	62,056	88,483
CURRENT ASSETS		
Inventories	59,612	24,343
Trade receivables	439,534	343,374
Prepayments, deposits and other receivables	32,534	56,996
Due from related parties	-	2,380
Due from non-controlling shareholders	-	41
Tax recoverable	-	1,420
Pledged deposits	18,712	-
Cash and cash equivalents	122,782	106,740
Financial assets	118	-
	673,292	535,294
Assets of a disposal group classified as held for sale	87,770	-
	761,062	535,294
CURRENT LIABILITIES		
Trade and bills payables	170,078	78,863
Other payables and accruals, receive in advance	305,150	122,819
Due to related parties	10	219,076
Due to non-controlling shareholders	-	1,750
Short term loan	23,538	-
Promissory note	-	37,447
Provision for reinstatement costs	-	3,869
Tax payable	4,748	72
	503,524	463,896
Liabilities of a disposal group classified as held for sale	107,681	-
	611,205	463,896
NET CURRENT ASSETS	149,857	71,398
TOTAL ASSETS LESS CURRENT LIABILITIES	211,913	159,881



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 30 September 2017*

	<i>Notes</i>	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Provision for reinstatement costs		–	3,495
Total non-current liabilities		–	3,495
NET ASSETS			
		211,913	156,386
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	4,090	4,090
Reserves		179,664	147,987
		183,754	152,077
Non-controlling interest		28,159	4,309
Total equity		211,913	156,386



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2017*

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	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			
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	-	-	-	-	-	23,605	23,605	204	23,809
Other comprehensive income for the period	-	-	-	-	8,118	-	8,118	(112)	8,006
Total comprehensive income for the period	-	-	-	-	8,118	23,605	31,723	92	31,815
Partial disposal of a subsidiary	-	-	-	(46)	-	-	(46)	23,758	23,712
At 30 September 2017 (unaudited)	4,090	75,815	51,567	6,588	657	45,037	183,754	28,159	211,913
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	48,507	-	-	-	-	48,597	-	48,597
(Loss)/profit for the period	-	-	-	-	-	672,286	672,286	-	672,286
Other comprehensive (expenses)/income for the period	-	-	-	-	(3,657)	-	(3,657)	-	(3,657)
Total comprehensive (expenses)/income for the period	-	-	-	-	(3,657)	672,286	668,629	-	668,629
At 30 September 2016 (unaudited)	4,090	76,354	51,567	1,770	(3,170)	672,590	803,201	4,377	807,578



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2017*

	<i>Notes</i>	Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash from operating activities		35,907	42,420
Net cash used in investing activities		(26,244)	(45,474)
Net cash from financing activities		24,477	48,627
Net increase in cash and cash equivalents		34,140	45,573
Cash and cash equivalents at beginning of the period		106,740	21,991
Cash and cash equivalents at end of the period	<i>14</i>	140,880	67,564
Analysis of balance of cash and cash equivalents			
Cash and bank balances		140,880	67,564



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 June 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the GEM of The Stock Exchange with effect from 21 November 2013. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is at Unit No. 1002, 10/F, Shui On Centre, 6-8 Harbour Road, Hong Kong.

The Group's principal activity during the six months ended 30 September 2017 was the operation and management of restaurants and cake shops in Hong Kong and renewable energy business in the People's Republic of China (the "PRC").

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 six months ended 30 September 2017 have been prepared in accordance with the accounting principles generally accepted in Hong Kong, and comply with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, 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 six months ended 30 September 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 2016. The unaudited condensed consolidated financial statements for the six months ended 30 September 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 six months ended 30 September 2017 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the six months ended 30 September 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 six months ended 30 September 2017 have been prepared under the historical cost convention.



3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments for the period ended 30 September 2017 as follows:

- (a) Renewable energy business segment is principally engaged in research and development of solar power technology, operation and construction of solar power station, the EPC (Engineering, Procurement and Construction) business and sales of photovoltaic mounting and tracking system materials in the PRC.
- (b) Restaurant operations segment is operation and management of restaurants and cake shops in Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that finance costs, loss on disposal of subsidiaries as well as corporate and other unallocated expenses such as directors' remuneration and corporate administrative expenses are excluded from such measurement.

Segment assets exclude corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude promissory note and corporate and other unallocated liabilities as these liabilities are managed on a group basis.



3. SEGMENT INFORMATION (Continued)

Period ended 30 September 2017	Continuing operations Renewable energy business HK\$'000 (Unaudited)	Discontinued operations Restaurant operations HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue for six months:			
Sales to external customers	446,450	112,767	559,217
Segment result for six months:	40,806	(5,613)	35,193
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(3,123)
Profit before tax			32,070
Segment assets	734,225	87,770	821,995
<i>Reconciliation:</i>			
Corporate and other unallocated assets			1,123
Total assets			823,118
Segment liabilities	502,841	69,499	572,340
<i>Reconciliation:</i>			
Promissory note			38,182
Corporate and other unallocated liabilities			683
Total liabilities			611,205
Other segment information for six months:			
Interest income	138	1	139
Depreciation and amortisation	668	6,447	7,115
Unallocated:			
Interest income			-
Depreciation			16



3. SEGMENT INFORMATION *(Continued)*

Geographic Information

Revenue from external customers

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Hong Kong – Discontinued operations	112,767	128,212
Mainland China – Continuing operations	446,450	544,074
	559,217	672,286

Information about major customers

Details of the customers in the renewable energy business segment attributed over 10% of total revenue of the Group during the periods are as follows:

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Customer 1	100,776	307,722
Customer 2	66,550	125,392
Customer 3	59,659	–

For the periods ended 30 September 2017 and 2016, there was no revenue from a single customer contributing over 10% of total revenue of the Group by the restaurant operations segment.

Details of interest income, depreciation and amortisation in relation to the operating segment are disclosed in notes 4 and 5, respectively.

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong and PRC. Substantially all of the Group's revenues from external customers for the six months ended 30 September 2017 and 2016 were derived from Hong Kong and PRC, the places of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong and PRC.



4. REVENUE AND OTHER INCOME

Continuing operations

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue				
Construction contracts	147,486	111,354	446,450	544,074
	147,486	111,354	446,450	544,074
Other income				
Interest income	139	198	138	299
Others	862	31	972	43
	1,001	229	1,110	342

Discontinued operations

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue				
Restaurant operations	58,012	65,030	112,767	128,212
Other income				
Interest income	-	-	1	-
Others	417	6	418	14
	417	6	419	14



5. PROFIT/(LOSS) BEFORE TAX

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

Continuing operations

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Depreciation	449	966	684	1,000
Lease payments under operating lease in respect of land and buildings: Minimum lease payments	998	666	1,983	1,570
Contract costs:				
Cost of construction material and supplies	88,331	38,939	324,727	320,848
Subcontracting charges and labour cost	32,364	22,010	48,979	80,267
Transportation	608	272	2,233	1,271
Machine and vehicle rental	2,497	1,891	3,012	8,861
Other expenses	1,651	34,089	2,454	35,249
	125,451	97,201	381,405	446,496
Employee benefits expenses (excluding directors' and chief executive's remuneration):				
Salaries, wages and other benefits	1,151	2,362	5,931	8,320
Retirement benefits scheme contributions	279	1,175	1,074	1,175
	1,430	3,537	7,005	9,495
Write-off of items of property, plant and equipment	-	2	-	-
Exchange differences, net	15	23	34	-



5. PROFIT/(LOSS) BEFORE TAX (Continued)

Discontinued operations

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Cost of food and beverage	16,172	19,688	32,227	38,759
Amortisation of intangible assets	74	81	134	162
Depreciation	3,195	2,506	6,313	4,910
Lease payment under operating lease in respect of land and buildings:				
- minimum lease payments	13,886	14,460	25,934	28,906
- contingent rents	88	96	173	209
	13,974	14,556	26,107	29,115
Employees benefits expenses (excluding directors' and chief executive's remunerations):				
Salaries, wages and other benefits	17,368	18,112	34,872	36,412
Retirement benefits scheme contributions	672	760	1,393	1,478
	18,040	18,872	36,265	37,890
Write-off of items of property, plant and equipment	588	-	588	2
Reversal of provision for reinstatement costs	(357)	-	(357)	-
Foreign exchange differences, net	-	(3)	-	(2)



6. INCOME TAX EXPENSE

Continuing operations

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax - PRC -charge for the period	5,066	1,683	7,093	20,608
Total tax charge for the period	5,066	1,683	7,093	20,608

Discontinued operations

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax - Hong Kong - charge for the period	649	563	1,168	1,187
Total tax charge for the period	649	563	1,168	1,187

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 six months ended 30 September 2017 and 2016.

The 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 a PRC subsidiary is 25% from 1 January 2008 onwards.



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

(a) Basic earnings/(loss) per share

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

The Group's profit/(loss) for the year attributable to owners of the Company

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited) (Restated)
Continuing operations	13,383	(1,469)	30,172	50,024
Discontinued operations	(3,580)	(643)	(6,567)	(1,743)
Number of shares	9,803	(2,112)	23,605	48,281
Weighted average number of shares	818,000	811,348	818,000	805,704

The Group issued and allotted bonus shares on the basis of one bonus share for every one existing share held by the qualifying shareholders on the record date of 25 October 2017. The weighted average number of shares used in the above calculation of basis earnings/(loss) per share for the relevant periods has been adjusted to reflect the bonus issue of shares, which was completed on 1 November 2017.

- (b) The diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in issue during the three and six months ended 30 September 2017 and 2016.

8. DIVIDENDS

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

9. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on cash, credit card and smart card settlement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Trade receivable are non-interest bearing.

An ageing analysis of the trade receivables, based on invoice date at the end of the reporting period, is as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within 1 month	2,876	93,597
Over 1 month but less than 3 months	40,085	2,169
Over 3 months	396,573	102,153
	439,534	197,919

The trade receivables included in the above ageing analysis are considered not impaired. As at 30 September 2017 and 31 March 2017, no trade receivables were past due or impaired. No provision for impairment of trade receivables was made as at 30 September 2017 and 31 March 2017.



10. TRADE AND BILLS PAYABLES

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within 1 month	34,535	34,040
Over 1 month but less than 2 months	13,529	14,646
Over 2 months	122,014	30,177
	170,078	78,863

The trade and bills payables are non-interest bearing and generally have payment terms of 30 – 90 days. Trade payables from related parties are also repayable on similar credit terms to those offered by the major suppliers of the Group.

11. SHORT TERM LOAN

On 7 July 2017, Tonking New Energy Technology (Shanghai) Limited* (同景新能源(上海)有限公司), a wholly owned subsidiary of the Company, signed a twelve-month loan agreement with a bank in China, with a principal amount of RMB20,000,000, bearing an interest at 4.5675% per annum. The loan will be due on 6 July 2018.

12. ISSUED CAPITAL

	Number of ordinary share of HK\$0.01 each	Nominal value of ordinary shares HK\$'000
Authorised: At 31 March 2017 and 30 September 2017	2,000,000,000	20,000
Issued and fully paid: At 30 September 2017 (Unaudited)	409,000,000	4,090



13. RELATED PARTY TRANSACTIONS

- (a) The Group had the following material transactions with related parties during the period:

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
JC & Associates Limited		
– purchase of food (<i>note</i>)	1,343	1,899
– management income (<i>note</i>)	360	–
R & C Corporate Services Limited		
– corporate service fee (<i>note</i>)	100	76
Well-in Hotel Supplies Company Limited		
– purchase of kitchen utensils (<i>note</i>)	1,288	176
– administrative expenses (<i>note</i>)	288	283

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

Unless otherwise stated, all of the above related companies are controlled by Mr. Wu Kai Char and/or Ms. Wong, who was a substantial shareholder of the Company.

Note: Those related companies are controlled by Mr. Wu Kai Char and/or Ms. Wong Wai Ling.

- (b) Compensation of key management personnel of the Group, including directors' and chief executive's remuneration, is as follows:

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short term employee benefits	2,951	1,510
Post-employment benefits	–	82
	2,951	1,592

14. CASH AND CASH EQUIVALENTS

	30 September 2017 HK\$'000	31 March 2017 HK\$'000
Cash and cash equivalents in the consolidated statement of financial position comprise:		
Bank balances and cash	122,782	106,740
Cash and cash equivalents included in the assets of a disposal group classified as held for sale (<i>note 8(c)</i>)	18,098	–
Cash and cash equivalents in the consolidated statement of cash flows	140,880	106,740



15. DISCONTINUED OPERATIONS AND A DISPOSAL GROUP HELD FOR SALE

According to the announcement made on 29 September 2017 (after trading hours), the Company (as seller) and Happy Kind Holdings Limited (as purchaser) entered into a Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Disposal Company, at the Consideration of HK\$50,505,000. The Consideration shall be satisfied by the Purchaser at Completion by (i) HK\$23,000,000 in cash and to be settled by way of telegraphic transfer to the designated bank account of the Company; and (ii) the entering of the Deed of Novation II at the Completion Date to transfer and novate from the Company to the Purchaser the payment obligation of the indebtedness amounting to approximately HK\$27,505,000 to the Disposal Company.

As at the date of this announcement, the Company is indebted to the Disposal Company in an aggregate sum of approximately HK\$65,600,000. Pursuant to the Deed of Novation I and the Deed of Set Off, it is agreed that, among others, (i) the Disposal Company shall transfer and novate to the Company the payment obligations of an indebtedness amounting to approximately HK\$38,095,000 under the Promissory Note; and (ii) the Disposal Company and the Company shall set-off their respective mutual debt in the amount of approximately HK\$38,095,000. Upon the completion of the Deed of Novation I and the Deed of Set Off, the Company will be indebted to the Disposal Company in an aggregate sum of approximately HK\$27,505,000. Such amount will be settled among the Company, the Disposal Company and the Purchaser by the entering of the Deed of Novation II. The Company will not be indebted to the Disposal Group thereafter. The Disposal Company is a wholly-owned subsidiary of the Company and is an investment holding company. The Disposal Group is principally engaged in the operation and management of restaurants and cake shops in Hong Kong. Upon Completion, the Company will cease to hold any interest in the Disposal Group. Each member of the Disposal Group will cease to be a subsidiary of the Company.

(a) The results for the periods from the discontinued operations are analysed as follows:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
REVENUE	58,012	65,030	112,767	128,212
Other income	417	6	419	14
Cost of food and beverage	(16,172)	(19,688)	(32,227)	(38,759)
Staff costs	(19,641)	(19,473)	(37,865)	(39,091)
Depreciation and amortisation	(3,270)	(2,587)	(6,448)	(5,072)
Property rentals and related expenses	(14,450)	(15,083)	(27,049)	(30,142)
Fuel and utility expenses	(1,262)	(1,562)	(2,517)	(2,945)
Administrative and other operating expenses	(6,206)	(6,260)	(11,958)	(11,958)
Finance costs	(370)	(365)	(735)	(705)
(LOSS)/PROFIT BEFORE TAX	(2,942)	18	(5,613)	(446)
Income tax expense	(649)	(563)	(1,168)	(1,187)
(LOSS) FOR THE PERIOD	(3,591)	(545)	(6,781)	(1,633)
Other comprehensive income, net of tax	-	-	-	-
TOTAL COMPREHENSIVE INCOME/ (EXPENSE) FOR THE PERIOD	(3,591)	(545)	(6,781)	(1,633)
Attributable to:				
Owners of the Company	(3,580)	(643)	(6,567)	(1,743)
Non-controlling interests	(11)	98	(214)	110
	(3,591)	(545)	(6,781)	(1,633)



15. DISCONTINUED OPERATIONS AND A DISPOSAL GROUP HELD FOR SALE (Continued)

(b) The net cash flow of the discontinued Operations are as follows:

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	26,532	6,965
NET CASH USED IN INVESTING ACTIVITIES	(23,325)	(151)
NET CASH FROM FINANCING ACTIVITIES	-	-
Net cash flows generated from discontinued operations for the period	3,207	6,814

(c) The major class of assets and liabilities of the disposal group classified as held for sale as at 30 September 2017 are as follows:

	HK\$'000
Assets of a disposal group classified as held for sale	
Property, plant and equipment	30,160
Intangible assets	1,518
Non-current rental deposits	10,462
Inventories	1,819
Trade receivables	3,531
Prepayments, deposits and other receivables	18,194
Due from related parties	2,527
Due from non-controlling shareholders	41
Tax recoverable	1,420
Cash and cash equivalents	18,098
Total assets of a disposal group classified as held for sale	87,770
Liabilities of a disposal group classified as held for sale	
Trade payables	7,360
Other payables and accruals	13,655
Due to related parties	36,803
Due to non-controlling shareholders	1,750
Promissory note (note)	38,182
Provision for reinstatement costs	8,740
Tax payable	1,191
Total liabilities of a disposal group classified as held for sale	107,681



15. DISCONTINUED OPERATIONS AND A DISPOSAL GROUP HELD FOR SALE (Continued)

Note:

The analysis of the carrying amount of promissory note is as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Promissory note	38,182	37,447
Analysis into: Within 1 year	38,182	37,447

Significant terms and repayment schedule of promissory note:

On 9 September 2015, Glory Kind Development Limited ("Glory Kind"), a subsidiary of the Company, issued promissory note with a principal amount of HK\$36,000,000, which is secured by a charge on all the issued shares of Glory Kind, bear interest at 4% per annum and has a maturity period of 2 years from the date of issue.

Pursuant to the terms of repayment of the Promissory Note, it will be expired on 8 September 2017. The parties to the Promissory Note agree the extension of the terms of repayment of the Promissory Note for a further period of three (3) months with the same terms thereof.

Interest expense on the promissory note is calculated using the effective interest method by applying the effective interest rate of 3.92% to the liability component.

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
At beginning of year	37,447	36,785
Issued during the period/year	-	-
Interest expenses	735	1,447
Interest settlement	-	(785)
At end of period/year	38,182	37,447

16. PLEDGE OF ASSETS

As at 30 September 2017 and 31 March 2017, 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.



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 September 2017, Tonking New Energy Technology (Shanghai) Limited* (同景新能源科技(上海)有限公司) has eight 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), 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 development in the renewable energy business.

During the reporting period, the total realised revenue for the business of renewable energy was recorded at approximately HK\$446,450,000 (2016 corresponding period: approximately HK\$544,074,000), which was mainly attributable to the provision of one-stop value-added solutions for photovoltaic power stations and the sales of patented photovoltaic tracking systems. During the reporting period, the total contracted installed capacity of the Group was 174.6MW.

During the reporting period,

- (1) The Group has entered into the 18MWp photovoltaic greenhouse project locating at the Ganlian Ditch of Weir Reservoir Area in Youjiang district, Guangxi Province. By utilizing the riparian zone of Ganlian Ditch in Weir Reservoir Area, Youjiang district, the project is the first photovoltaic power project to apply flat uniaxial tracking mounting bracket system that constructed by Xijiang Group. With an area of approximately 390 mu, a total installed capacity of 18MWp and a total investment of approximately RMB136 million, the annual average generating capacity of the project is approximately 20 million kilowatt hours. The project applies the flat uniaxial tracking mounting bracket system independently developed by the Group and was supported by the Group's tracking technology, the establishment of which reflects the innovation of photovoltaic technology in greenhouse.
- (2) The Group has entered into a 2MW flat uniaxial power generation project under the photovoltaic fore-runner 50MW project in Yangquan with Luan Group, which applies flat uniaxial tracking mounting bracket system independently developed by the Group. Our participation in construction as one of the fore-runner enterprises implies the fully recognition from inside and outside industry towards our various advantages, such as investment ability, experience and performance, professional service and technical advancement. The establishment of this project set a good precedent for propelling the transformation of resource-exhausted cities and promoting the upgrade of domestic photovoltaic industry.
- (3) 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.



- (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, Bolin Township, 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 Village, 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 Zhejiang-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.
- (10) 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.
- (11) The Group has entered into a contract with China Power Guorui Logistics Company Limited* (中國瑞瑞物流有限公司) 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.



- (12) The Group has entered into a sale contract with Shanghai City Electric Development Co., Ltd.* (上海市電力發展有限公司) related to mounting bracket system of the 2.8MW rooftop distributed photovoltaic generation project in Jinzhong City, Shanxi Province.

The project applies the H-shaped oblique uniaxial tracking system independently developed by the Group. The H-shaped mounting bracket of the system has flexibly adjustable foundation span and is free from structural constraint, which allowing the system to be applicable to various terrains. The system also combines the features of the mounting structure of the Tonking oblique uniaxial tracking system, and such combination has improved the tracking accuracy of bracket and enhanced the system strength and wind-resistance through solving the wind oscillation and the life issue of tracking system fundamentally.

Being a kind of distributed photovoltaic generation, the rooftop photovoltaic generation model has the merits of distributed photovoltaic generation, such as exerting the advantages and characteristics of photovoltaic generation, being free from the limitation of scale and the impact of power rationing, and receiving subsidy from government timely. Besides, it could also improve the aesthetic sense to buildings, reduce energy consumption of buildings substantially, cause less environmental pollution and achieve energy conservation and emission reduction. Thus, rooftop distributed photovoltaic generation model is gaining increasing popularity.

- (13) The Group has entered into a sale contract with Zhejiang Jiangneng Construction Co. Ltd.* (浙江江能建設有限公司) related to the mounting brackets system of the 1.99MWp photovoltaic power plant project combining fishery and photovoltaic generation under the Phase I of the Huadong Changxing Project. The project applies the flat uniaxial tracking mounting bracket system independently developed by the Group, which could achieve the optimal integrated system cost as it has the technical feature of using less pile foundations. The bracket is designed with a thru-shaft, transverse and semi-detached structure, through which the photovoltaic arrays could distribute forces evenly. With a transmittance of above 50%, the bracket could also maintain appropriate shading scopes to protect the underwater ecological structure and then the aquaculture and fishing. Besides, the system could be easily maintained and could enhance the utilization efficiency of the water area.

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 and support on the 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.

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. Meanwhile, our "power distribution cabinet tracker" has passed the 3C certification and our tracking mounting brackets system has also passed the certificate of American Underwriters Laboratories (UL). And at the same time, Jiang Shan Shi Tong Jing Guang Fu Limited* (江山市同景光伏有限公司), a wholly-owned subsidiary of the Group, obtained the Certificate of Class-B Qualification for Engineering Design in relation to Electricity Industry (New Energy Power Generation) (電力行業(新能源發電)專業乙級工程設計資質), which was another development breakthrough made by the Group following the obtaining of the Construction General Contracting Qualification (Class-C) for Electric Engineering (電力工程施工總承包三級資質). This certificate has met the Company's requirements in engineering design of new energy power generation, successfully brought the Company to a new stage of engineering design of the new energy industry and further established the Company's leading position in the new energy industry.

* For identification purpose only



Food and Beverage Business

The Group is also operating 10 full-service restaurants and 1 cake shop as at 30 September 2017, namely “Inakaya”, “LE 39V”, “Harlan’s”, “Kaika”, “Mekikinoginji-Okinawa” in Tuen Mun, Causeway Bay, Tsim Sha Tsui, and Mongkok, “Pearl Delights”, “PHO Hoi An” in Tsim Sha Tsui and “Harlan’s Cake Shop” of which some are operated by way of franchising agreement. During the period, the Group closed down 2 restaurants and 1 cake shop, including “PHO Hoi An” in San Po Kong in July 2017, and “Hooray” and “Carousel” in August 2017 respectively owing to expiration of the tenancy and loss making of that outlets. The Group endeavored to work out the philosophy – “unique dining concepts” through quality dishes accompanied by a pleasant atmosphere and attentive services.

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.

LE 39V

The Group started 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 delicatated french recipe with perfectly matched fine wine.

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.

Harlan’s

With an inviting ambience and plush interior design, 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.

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. We believe that our new modern design together with new delicate cuisine can attract wide range group of customers.



PHO Hoi An

This Vietnamese eatery continues to maintain its image as casual dining restaurant of the Group. PHO Hoi An provides efficient service and an array of Vietnamese cuisines inspired from Hoi An, the world heritage town in Vietnam.

Harlan's Cake Shop

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 OF CONTINUING OPERATIONS

Revenue

For the six months ended 30 September 2017, the Group recorded an unaudited revenue of approximately HK\$446,450,000, representing a decrease of approximately 18% compared with approximately HK\$544,074,000 (restated) of the corresponding period in 2016.

Staff costs

The staff costs for the six months ended 30 September 2017 amounted to approximately HK\$8,356,000, representing an decrease by approximately 15% when compared with that of approximately HK\$9,886,000 (restated) from the corresponding period in 2016. The decrease was in line with the decrease of revenue.

Depreciation and amortisation

Depreciation and amortisation decreased by approximately 32% to approximately HK\$684,000 for the six months ended 30 September 2017 (2016: approximately HK\$1,000,000 (restated)).

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately 17% to approximately HK\$17,009,000 for the six months ended 30 September 2017 from approximately HK\$14,568,000 (restated) for the corresponding period in 2016.

Net profit for the period

For the six months ended 30 September 2017, the Group recorded profit attributable to owners of the Company from continuing operations of approximately HK\$30,172,000 (2016: profit of approximately HK\$50,024,000 (restated)).



FUTURE PROSPECTS

1. According to the report issued by the International Energy Agency (IEA) on 4 October 2017, in 2016, new solar PV capacity around the world grew by 50%, with China accounting for almost half of this expansion. In the coming 5 years, China will remain the undisputed renewable growth leader in the world.

In Market Report Series-Renewables 2017, the IEA indicated that renewables, boosted by a strong solar PV market, accounted for almost two-thirds of net new power capacity around the world in 2016, with almost 165 GW coming online. The report forecasted that renewables will continue strong growth through 2022, with global renewable electricity capacity forecast to expand by approximately 1000 GW, an increase of 43%.

According to the statistics of the report, 2016 is the first year that global solar PV additions rose faster than any other power fuel, surpassing the net growth in coal-fired power. The report forecasted that solar PV represents the largest annual capacity additions for renewables for the next five years, well above wind and hydro. By 2022, total solar PV capacity around the world is expected to reach 740 GW.

As pointed out by the IEA, China alone is responsible for over 40% of global renewable capacity growth, which is largely driven by concerns about air pollution and development targets of renewables that were outlined in the country's 13th Five-year Plan. In fact, China has already met its solar PV power target set for 2020, with three years in advance.

Our photovoltaic tracking systems are expected to benefit from the above said promising market prospects of global solar PV industry and substantial development of solar PV power in respect of promotion and future market share improvement.

2. The *Notice of Adjustments to the Price of Photovoltaic Power* (光伏電價調整通知) (the "Notice") 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)* (《能源發展戰略行動計劃(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.

The National Energy Administration issued the *Guidance Opinion on Implementation of the 13th Five-year Plan on Renewable Energy Development* (《關於可再生能源發展「十三五」規劃實施的指導意見》) 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 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.



3. The Ministry of Land and Resources, the State Council Leading Group Office of Poverty Alleviation and Development and National Energy Administration issued *Opinions on Supporting Photovoltaic Poverty Alleviation and Regulating Photovoltaic Power Generation Industry Lands* (Guo Tu Zi Gui [2017] No. 7) (國土資規〔2017〕7號關於支持光伏扶貧和規範光伏發電產業用地的意見) (the “Opinions”) in September 2017. The Opinions pointed out that all regions shall speed up the preparation of their photovoltaic power generation plans and rationalize the construction of photovoltaic power generation projects according to the national photovoltaic industry development plan and their actual conditions. The photovoltaic power generation plans should be consistent with the overall land use plans and other related plans. Unutilized lands are allowed to be used whereas agricultural lands shall not be occupied. The use of permanent basic farmland in any way shall be prohibited and the development of photovoltaic power generation projects in the region expressly prohibited by the relevant national laws, regulations and plans shall also be strictly prohibited.

Apart from the photovoltaic poverty alleviation projects identified in this document and the photovoltaic power station projects constructed by taking use of agricultural lands (hereinafter referred to as “Photovoltaic Compound Projects”), the land for other photovoltaic power station projects shall strictly implement the requirements of Guo Tu Zi Gui [2015] No. 5 (國土資規〔2015〕5號文). For projects involved in unutilized lands, the land for photovoltaic arrays can be identified according to the in-place category under which the use of lands shall not be changed and lands shall be used rationally.

Tonking Group used the agricultural land other than permanent basic farmland for its photovoltaic arrays and will not change the nature of the original land without prejudice to the conditions of agricultural production. This model meets the requirements of the Ministry of Land and Resources and will be widely adopted and promoted in the photovoltaic industry, which will provide a vast space for the future development of the Company.

4. In order to accelerate our further development in the photovoltaic area, 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 our own resources and competitive advantages, the Group actively promotes 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 mounting bracket 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 September 2017, the share capital and equity attributable to owners of the Company amounted to HK\$4,090,000 and approximately HK\$179,664,000 respectively (31 March 2017: HK\$4,090,000 and approximately HK\$147,987,000 respectively).

Cash position

As at 30 September 2017, the cash and cash equivalents of the Group amounted to approximately HK\$140,880,000 (31 March 2017: approximately HK\$106,740,000), representing an increase of approximately 32% as compared to that as at 31 March 2016.

Borrowing

On 7 July 2017, Tonking New Energy Technology (Shanghai) Limited* (同景新能源(上海)有限公司), a wholly owned subsidiary of the Company, signed a twelve-month loan agreement with a bank in China, with a principal amount of RMB20,000,000, bearing an interest at 4.5675% per annum. The loan will be due on 6 July 2018.

Gearing ratio

As at 30 September 2017, the gearing ratio of the Group was approximately 32% (31 March 2017: approximately 62%). 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 and bills payables, other payables, accruals and receive in advance, tax payables and provision for reinstatement costs.

Exchange Rate Exposure

The Group is principally engaged in the renewable energy business in the PRC and the operation and management of restaurants and cake shops in Hong Kong. As the renewable energy business segment of the Group has subsidiaries operating in the PRC, in which most of their transactions are denominated in Renminbi, the Group is exposed to foreign exchange fluctuations in Renminbi.

The Group has not entered into any foreign exchange contract as hedging measures. The Group manages its foreign currency risk against Renminbi by closely monitoring its movement and the management may consider using hedging derivative, to manage its foreign currency risk in future should the need arises.

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

Save as the sale and purchase agreement the Company entered into with Happy Kind Holdings Limited in relation to, among others, the disposal of the entire issued share capital of Glory Kind Development Limited, a wholly-owned subsidiary of the Company, on 29 September 2017, there were no other significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2017. For details, please refer to the announcement of the Company dated 29 September 2017.

Contingent Liabilities

As at 30 September 2017, the Group had no material contingent liabilities (31 March 2017: nil).

Capital Commitment

As at 30 September 2017, the Group had no material capital commitment (31 March 2017: HK\$1,530,000).



Employee and Emolument Policies

The Group had 517 employees (including Directors) as at 30 September 2017 (31 March 2017: 452 employees). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors and senior management are reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 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 of the Code 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 six months ended 30 September 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 six months ended 30 September 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 September 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 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 (<i>Note</i>)	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 September 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 September 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:

Long positions in the Shares

Name of Shareholders	Nature of Interest	Number of Shares interested	Approximate percentage of shareholding
Rise Triumph Limited (<i>Note 1</i>)	Beneficial owner	111,850,000	27.35%
Victory Stand (<i>Note 2</i>)	Beneficial owner	103,000,000	25.18%

Note:

- These 111,850,000 Shares are held by Rise Triumph Limited. Mr. Wu Jian Nong beneficially owns 96% of the issued share capital of Rise Triumph Limited. Mr. Wu Jian Nong is deemed, or taken to be, interested in all the Shares held by Rise Triumph Limited for the purpose of the SFO.
- 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.

Save as disclosed above, as at 30 September 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 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 six months ended 30 September 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealings, 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 six months ended 30 September 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 six months ended 30 September 2017 and this report, and considered that the results and this report have been prepared in accordance with the applicable accounting standards and requirements.

EVENTS AFTER THE REPORTING PERIOD

Pursuant to an ordinary resolution passed in the extraordinary general meeting of the Company held on 17 October 2017, a bonus issue on the basis of one bonus share for every then existing share held by the shareholders of the company whose names appear on the register of members of the company on 25 October 2017 was completed under which 409,000,000 ordinary shares were allotted and issued on 1 November 2017. As at the date of this report, the total number of issued shares of the Company is 818,000,000. Details of the said bonus issue are available in the circular of the Company dated 27 September 2017 and poll results announcement of the Company dated 17 October 2017 respectively.

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

Hong Kong, 10 November 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.



CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Independent Non-executive Directors

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

Company Secretary

Mr. Cheng Man For (ACIS)

Authorised Representatives

Ms. Shen Meng Hong
Mr. Cheng Man For

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Compliance Committee

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

Registered Office

PO Box 1350
Clifton House, 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Ltd.
P.O. Box 1350
Clifton House
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Banker

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

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Legal Adviser

As to Hong Kong law:
Li & Partners

Stock Code

8326

Company's Website

www.tonkinggroup.com.hk

