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 THIRD 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 GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

The board of Directors (the "Board") of the Company announces the unaudited condensed consolidated results of the Company and the subsidiaries (collectively, the "Group") for the three and nine months ended 31 December 2017 (hereinafter the nine months ended 31 December 2017 are referred to as the "Reporting Period"), 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 nine months ended 31 December 2017

	Notes	Three months ended 31 December 2017 HK$'000 (Unaudited)	Three months ended 31 December 2016 HK$'000 (Unaudited) (Restated)	Nine months ended 31 December 2017 HK$'000 (Unaudited)	Nine months ended 31 December 2016 HK$'000 (Unaudited) (Restated)
CONTINUING OPERATIONS					
REVENUE	3	107,313	30,074	553,763	574,148
Other (expenses)/income	3	(2,179)	(11)	(1,069)	331
Contract costs	4	(109,925)	(36,465)	(491,330)	(482,961)
Staff costs		(3,984)	(11,664)	(12,340)	(21,550)
Depreciation and amortisation		(372)	(810)	(1,056)	(1,810)
Property rentals and related expenses		(1,043)	(829)	(3,026)	(2,400)
Fuel and utility expenses		(13)	(5)	(37)	(14)
Administrative and other operating expenses		(1,873)	(1,377)	(18,882)	(15,942)
Finance costs		(310)	(41)	(726)	(297)
(LOSS)/PROFIT BEFORE TAX	4	(12,386)	(21,128)	25,297	49,505
Income tax	5	2,846	3,330	(4,247)	(17,278)
(LOSS)/PROFIT FROM CONTINUING OPERATIONS		(9,540)	(17,798)	21,050	32,227
DISCONTINUED OPERATIONS					
Loss for the period from discontinued operations	8	(815)	(1,953)	(7,596)	(3,587)
(LOSS)/PROFIT FOR THE PERIODS		(10,355)	(19,751)	13,454	28,640
Attributable to:					
Owners of the Company					
– Continuing operations		(9,691)	(17,797)	20,481	32,227
– Discontinued operations		(905)	(1,904)	(7,472)	(3,647)
		(10,596)	(19,701)	13,009	28,580
Non-controlling interests					
– Continuing operations		151	0	569	(0)
– Discontinued operations		90	(50)	(124)	60
		241	(50)	445	60
(Loss)/profit for the periods		(10,355)	(19,751)	13,454	28,640

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

For the three and nine months ended 31 December 2017

	Notes	Three months ended 31 December 2017 HK$'000 (Unaudited)	Three months ended 31 December 2016 HK$'000 (Unaudited) (Restated)	Nine months ended 31 December 2017 HK$'000 (Unaudited)	Nine months ended 31 December 2016 HK$'000 (Unaudited) (Restated)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY					
– Continuing operations		(1.18)	(2.18)	2.50	3.98
– Discontinued operations		(0.11)	(0.23)	(0.91)	(0.45)
		(1.29)	(2.41)	1.59	3.53
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		3,322	(5,753)	11,328	(9,410)
Other comprehensive income/(expense), net of tax		3,322	(5,753)	11,328	(9,410)
TOTAL COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIODS		(7,033)	(25,504)	24,782	19,230
Attributable to:					
Owners of the Company					
– Continuing operations		(6,701)	(23,550)	31,589	22,817
– Discontinued operations		(905)	(1,904)	(7,472)	(3,647)
		(7,606)	(25,454)	24,117	19,170
Non-controlling interests					
– Continuing operations		483	(0)	789	(0)
– Discontinued operations		90	(50)	(124)	60
		573	(50)	665	60
		(7,033)	(25,504)	24,782	19,230

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 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$'000	Retained profits/ (Accumulated losses) HK$'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
Issue of bonus shares	4,090	(4,090)	–	–	–	–	–	–	–
Profit for the period	–	–	–	–	–	13,009	13,009	445	13,454
Other comprehensive income for the period	–	–	–	–	11,108	–	11,108	220	11,328
Total comprehensive income for the period	–	–	–	–	11,108	13,009	24,117	665	24,782
Partial disposal of a subsidiary	–	–	–	(46)	–	–	(46)	23,758	23,712
At 31 December 2017 (unaudited)	8,180	71,725	51,567	6,588	3,647	34,441	176,148	28,732	204,880
At 1 April 2016 (audited)	4,000	27,847	51,567	1,770	487	304	85,975	4,377	90,352
Issuance of new shares	90	47,969	–	–	–	–	48,059	–	48,059
Profit for the period	–	–	–	–	–	28,580	28,580	60	28,640
Other comprehensive expenses for the period	–	–	–	–	(9,410)	–	(9,410)	–	(9,410)
Total comprehensive (expenses)/income for the period	–	–	–	–	(9,410)	28,580	19,170	60	19,230
Transfer to statutory reserves	–	–	–	5,361	–	(5,361)	–	–	–
At 31 December 2016 (unaudited)	4,090	75,816	51,567	7,131	(8,923)	23,523	153,204	4,437	157,641

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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 of Hong Kong Limited (the "Stock Exchange") with effect from 21 November 2013. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is at Unit No.1002, 10/F, Shui On Centre, 6-8 Harbour Road, Hong Kong.

The Company's principal activity during the nine months ended 31 December 2017 was investment holding. The Group's principal activities during the six months ended 30 September 2017 were renewable energy business in the People Republic of China (the "PRC") and the operation and management of various restaurants and cake shops in Hong Kong.

On 29 September 2017, the Company has conditionally agreed to sell the entire issued share capital of Glory Kind Development Limited, its wholly-owned subsidiary principally engaged in the operation and management of restaurants and cake shops in Hong Kong.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the nine months ended 31 December 2017 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the nine months ended 31 December 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 nine months ended 31 December 2017 have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements for the nine months ended 31 December 2017 are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Group.

3. REVENUE AND OTHER (EXPENSES)/INCOME

Continuing operations

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Revenue				
Construction contracts	107,313	30,074	553,763	574,148
Other (expenses)/income				
Interest income	228	–	366	299
Others	(2,407)	(11)	(1,435)	32
	(2,179)	(11)	(1,069)	331

4. (LOSS)/PROFIT BEFORE TAX

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

Continuing operations

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Depreciation	288	810	972	1,810
Amortisation	84	–	84	–
Lease payments under operating lease in respect of land and buildings:				
Minimum lease payments	911	787	2,894	2,310
Contract costs:				
Cost of construction material and supplies	65,801	25,734	390,528	346,582
Subcontracting charges and labour cost	39,916	8,053	88,895	88,320
Transportation	1,256	593	3,489	1,864
Machine and vehicle rental	1,133	617	4,145	9,478
Other expenses	1,819	1,468	4,273	36,717
	109,925	36,465	491,330	482,961
Employee benefits expenses (excluding directors' and chief executive's remuneration):				
Salaries, wages and other benefits	3,007	8,043	8,938	16,363
Retirement benefits scheme contributions	307	1,554	1,381	2,728
	3,314	9,597	10,319	19,091
Exchange differences, net	1	–	35	–

5. INCOME TAX

Continuing operations

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Current tax – PRC	(2,846)	(3,330)	4,247	17,278

Hong Kong

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

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

(a) Basic (loss)/earnings 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 (loss)/profit for the periods attributable to owners of the Company

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited) (Restated)	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited) (Restated)
Continuing operations	(9,691)	(17,797)	20,481	32,227
Discontinued operations	(905)	(1,904)	(7,472)	(3,647)
	(10,596)	(19,701)	13,009	28,580
Number of shares				
Weighted average number of shares	818,000	818,000	818,000	809,818

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

(a) Basic (loss)/earnings per share *(Continued)*

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

The Group issued and alloted 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 (loss)/earnings 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 (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in issue during the three and nine months ended 31 December 2017 and 2016.

7. DIVIDENDS

No dividends have been paid or declared by the Company during the nine months ended 31 December 2017 and 2016.

8. DISCONTINUED OPERATIONS AND A DISPOSAL GROUP HELD FOR SALE

According to the announcement made on 29 September 2017 (after trading hours), the Company and Happy Kind Holdings Limited (the "Purchaser") entered into a sale and purchase agreement (the "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 (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 second deed of novation ("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 report, the Company is indebted to the Disposal Company in an aggregate sum of approximately HK$65,600,000. Pursuant to the first deed of novation ("Deed of Novation I") and the deed of set off ("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 Company and its subsidiaries (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.

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

Further to the announcement made on 8 January 2018 (after trading hours), the Company and Happy Kind Holdings Limited entered into a supplemental agreement to the Sale and Purchase Agreement dated 8 January 2018 whereby the parties agreed to extend the Long Stop Date from 8 January 2018 to 9 April 2018 (or such later date as may be agreed between the Company and Happy Kind Holdings Limited).

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

	Three months ended 31 December		Nine months ended 31 December	
	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
REVENUE	58,755	62,296	171,522	190,508
Other income	320	75	739	89
Cost of food and beverage	(16,863)	(18,496)	(49,090)	(57,255)
Staff costs	(18,518)	(18,264)	(56,383)	(57,355)
Depreciation and amortisation	(2,676)	(1,834)	(9,124)	(6,906)
Property rentals and related expenses	(12,302)	(15,188)	(39,351)	(45,329)
Fuel and utility expenses	(1,101)	(1,290)	(3,618)	(4,234)
Administrative and other operating expenses	(7,656)	(8,370)	(19,614)	(20,330)
Finance costs	(363)	(384)	(1,098)	(1,089)
LOSS BEFORE TAX	(404)	(1,455)	(6,017)	(1,901)
Income tax expense	(411)	(498)	(1,579)	(1,686)
LOSS FOR THE PERIOD	(815)	(1,953)	(7,596)	(3,587)
Other comprehensive income, net of tax	–	–	–	–
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(815)	(1,953)	(7,596)	(3,587)
Attributable to:				
Owners of the Company	(905)	(1,903)	(7,472)	(3,647)
Non-controlling interests	90	(50)	(124)	60
	(815)	(1,953)	(7,596)	(3,587)

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 31 December 2017, Tonking New Energy Technology (Shanghai) Limited* (同景新能源科技(上海)有限公司) has seven 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) and Lin Yi Shi New Energy Limited* (臨沂市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 revenue for the business of renewable energy was recorded at approximately HK$553,763,000 (2016 corresponding period: HK$574,148,000), 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 260.25MW.

During the reporting period,

(1) The Group entered into a procurement contract in relation to colour plates rooftop mounting brackets system with Jiangsu Zhongshun Energy-saving Technology Co., Ltd.* (江蘇中順節能科技有限公司) in November 2017. All equipment thereunder shall be used for SPIC's Hailuo 16MW rooftop photovoltaic EPC project.

(2) The Group entered into a procurement contract in relation to module brackets with Zhongzhou Construction Co., Ltd.* (中州建設有限公司) in November 2017. All equipment thereunder shall be used for Three Gorges New Energy Weishan's Xiaopuwan 50MW photovoltaic power station EPC project.

(3) The Group entered into a procurement contract of oblique uniaxial tracking mounting bracket system with Siwu Energy Investment Co., Ltd.* (思悟能源投資有限公司) in November 2017, in relation to Siwu Energy's 600KWp poverty alleviation agricultural photovoltaic power station project in Nancha District.

(4) The Group entered into a procurement contract of tracking mounting bracket with CPI Power Engineering Co., Ltd.* (中電投電力工程有限公司) in December 2017, in relation to the 19.9MW distributed photovoltaic power project of Shengli Reservoir in Yan'an, Shaanxi.

(5) The Group entered into a procurement contract in relation to tracking mounting bracket materials with Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) in December 2017. All materials thereunder shall be used for the 1.02256MW photovoltaic power project in Zhongxian County, Chongqing.

(6) The Group entered into a procurement contract in relation to 9.71MW photovoltaic power equipment with Hangkai Photovoltaic Technology Co., Ltd.* (浙江杭開光伏科技有限公司) in December 2017. All equipment thereunder shall be used for photovoltaic ground power stations of the Photovoltaic Well-off Project in Qujiang District, Quzhou City.

The Group will continue to focus on researching and developing photovoltaic tracking system applicable to different complicated topography, strive to make a new breakthrough in technology, with a view to providing customers with a comprehensive and highly efficient solar power system integration solution.

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.

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 TÜV SÜD 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.

Food and Beverage Business

The Group is also operating 9 full-service restaurants and 1 cake shop as at 31 December 2017, namely "Inakaya", "LE 39V", "Harlan's", "Kaika", "Mekikinoginji-Okinawa", "Royal Grill Ginji", "Ryoriban No Ginji", "Pearl Delights", "PHO Hoi An" and "Harlan's Cake Shop" of which some are operated by way of franchising agreement. During the Reporting Period, the Group closed down 2 restaurants and 1 cake shop, including "PHO Hoi An" in San Po Kong in July 2017, "Hooray" and "Carousel" and "Mekikinoginji-Okinawa" in Causeway Bay in August 2017 and November 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.

FINANCIAL REVIEW OF CONTINUING OPERATIONS

Revenue

For the nine months ended 31 December 2017, the Group recorded an unaudited revenue of approximately HK$553,763,000, representing a slight decrease of approximately 4% compared with approximately HK$574,148,000 of the corresponding period in 2016.

Contract costs

The contract cost for the nine months ended 31 December 2017 was approximately HK$491,330,000 (2016: approximately HK$482,961,000). The costs was derived from the renewable energy business which was mainly represented by the cost of construction materials and supplies, subcontracting charges and labour cost, transportation, machine and vehicle rental and other expenses.

Staff costs

The staff costs decreased by approximately 43% to approximately HK$12,340,000 for the nine months ended 31 December 2017 (for the nine months ended 31 December 2016: approximately HK$21,550,000).

Depreciation and amortisation

Depreciation and amortisation decreased by approximately 42% to approximately HK$1,056,000 for the nine months ended 31 December 2017 (for the nine months ended 31 December 2016: approximately HK$1,810,000).

Property rentals and related expenses

The property rentals and related expenses for the nine months ended 31 December 2017 amounted to approximately HK$3,026,000 (for the nine months ended 31 December 2016: approximately HK$2,400,000), representing an increase of approximately 26% as compared to the corresponding period in 2016. Such increase was mainly attributable to the newly rented offices for the renewable energy business.

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately 18% to approximately HK$18,882,000 for the nine months ended 31 December 2017 from approximately HK$15,942,000 for the corresponding period in 2016. Such increase was mainly due to the development of the renewable energy business.

Net profit

For the nine months ended 31 December 2017, the Group recorded profit attributable to owners of the company of approximately HK$20,481,000 (For the nine months ended 31 December 2016: profit of approximately HK$32,227,000).

FUTURE PROSPECTS

1. 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》) in 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.

2. 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.

3. Since 1 July 2017, the National Energy Administration has actively promoted the establishment of the green power certificate trading system for renewable energy with transaction price of resources under green power certificate as a substitute of financial subsidies to explore effective modes for solving the deficit in providing renewable energy subsidies. The system will commence mandatory binding trading in 2018 in due course.

4. The National Energy Administration issued the Implementation Plan on Solving Problems of Water, Wind and PV Power Curtailment (解決棄水、棄風、棄光問題實施方案) in October 2017, which proposed to recognize work targets year by year to ensure an annual decrease of the proportion of wind power curtailment to wireless electricity by a combination of measures, such as enhancing external transmission and local consumption, improving the development and operation target monitoring and evaluation system, implementing renewable energy power quota system, implementing the priority generation system for renewable energy, promoting participation in market-based transactions, so as to effectively solve the problems of PV power curtailment in the whole country by 2020.

5. In December 2017, the National Energy Administration issued a policy to establish a market environment monitoring and evaluation mechanism. According to the competitiveness and risk evaluation, the market environment of ordinary photovoltaic power stations and leading bases can be divided into three levels (namely, green, orange and red) in terms of province and resource region, with comprehensive consideration of lands, government services, grid access, subsidy strength, degree of PV power curtailment, consumption risks, national security enforcement and other factors. The evaluation results will be announced annually as a scientific basis of differentiate management for the guidance on the classification of construction scales.

6. 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

Bonus Issue

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 one 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 31 December 2017, the total number of issued shares of the Company is 818,000,000.

Capital structure

As at 31 December 2017, the share capital and equity attributable to owners of the Company amounted to HK$8,180,000 and approximately HK$176,148,000 respectively (as at 31 March 2017: HK$4,090,000 and approximately HK$152,077,000 respectively).

Cash position

As at 31 December 2017, the cash and cash equivalents of the Group amounted to approximately HK$82,766,000 (as at 31 March 2017: approximately HK$106,740,000), representing a decrease of approximately 22% as compared to that as at 31 March 2017.

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.

Pledge of assets

As at 31 December 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.

Gearing ratio

As at 31 December 2017, the gearing ratio of the Group was approximately 11% (as at 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 payables, other payables and accruals, tax payables and provision for reinstatement costs.

COMPETING BUSINESS

For the nine months ended 31 December 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 nine months ended 31 December 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 31 December 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 *(Note)*	231,454,000	28.30%
Mr. Xu Shui Sheng	Beneficial owner	6,731,400	0.82%
Ms. Shen Meng Hong	Beneficial owner	2,243,800	0.27%

Note:

These 231,454,000 Shares are totally held by Rise Triumph Limited and Signkey Group Limited, of which 224,380,000 shares are held by Rise Triumph Limited and 7,074,000 shares are held by Signkey Group Limited. Mr. Wu Jian Nong beneficially owns 96% and 85% of the issued share capital of Rise Triumph Limited and Signkey Group Limited respectively. Mr. Wu Jian Nong is deemed, or taken to be, interested in all the Shares held by Rise Triumph Limited and Signkey Group Limited respectively for the purpose of the SFO.

Save as disclosed above and so far as is known to the Directors, as at 31 December 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 31 December 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 *(Note 1)*	Beneficial owner	224,380,000	27.43%
Victory Stand *(Note 2)*	Beneficial owner	206,000,000	25.18%

Note:

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

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

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

Hong Kong, 9 February 2018

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, Mr. Zhou Yuan and Ms. Wang Xiaoxiong.