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)

2018

FIRST QUARTERLY REPORT

* For identification purpose only

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This report, for which the directors (the "Directors") of Tonking New Energy Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

The board of Directors (the "Board") of the Company announces the unaudited condensed consolidated results of the Company and the subsidiaries (collectively, the "Group") for the three months ended 30 June 2018, together with the unaudited comparative figures for the respective corresponding periods in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the three months ended 30 June 2018

		Three months ended 30 June	
	Notes	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited) (Restated)
REVENUE	*3*	223,746	353,719
Other income	*3*	1,176	111
Cost of food and beverage	*4*	(14,655)	(16,055)
Contract costs	*4*	(147,132)	(255,954)
Staff costs		(21,189)	(24,329)
Depreciation and amortisation		(3,925)	(3,413)
Property rentals and related expenses		(12,594)	(13,584)
Fuel and utility expenses		(1,140)	(1,268)
Administrative and other operating expenses		(14,478)	(22,502)
Finance cost		(1,212)	(467)
PROFIT BEFORE TAX	*4*	8,597	16,258
Income tax expense	*5*	(3,557)	(2,546)
PROFIT FOR THE PERIOD		5,040	13,712
Attributable to:			
Owners of the Company		4,969	13,802
Non-controlling interests		71	(90)
		5,040	13,712
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	*6*	0.61	1.69

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the three months ended 30 June 2018

	Three months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
		(Restated)
PROFIT FOR THE PERIOD	**5,040**	13,712
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	**(14,667)**	3,801
Other comprehensive (expense) income, net of tax	**(14,667)**	3,801
TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD	**(9,627)**	17,513
Attributable to:		
Owners of the Company	**(7,523)**	17,715
Non-controlling interests	**(2,104)**	(202)
	(9,627)	17,513

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2018

	Attributable to owners of the Company								
	Issued capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Statutory reserves HK$'000	Exchange fluctuation reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2018 (audited)	8,180	71,725	51,567	7,574	12,884	45,236	197,166	26,315	223,481
Profit for the period	–	–	–	–	–	4,969	4,969	71	5,040
Other comprehensive income for the period	–	–	–	–	(12,492)	–	(12,492)	(2,175)	(14,667)
Total comprehensive income for the period	–	–	–	–	(12,492)	4,969	7,523	(2,104)	(9,627)
At 30 June 2018 (unaudited)	8,180	71,725	51,567	7,574	392	50,205	189,643	24,211	213,854
At 1 April 2017 (audited)	4,090	75,815	51,567	6,634	(7,461)	21,432	152,077	4,309	156,386
Profit for the period	–	–	–	–	–	13,802	13,802	(90)	13,712
Other comprehensive income for the period	–	–	–	–	3,913	–	3,913	(112)	3,801
Total comprehensive income for the period	–	–	–	–	3,913	13,802	17,715	(202)	17,513
Partial disposal of a subsidiary	–	–	4,852	(46)	–	122	4,928	17,331	22,259
At 30 June, 2017 (unaudited)	4,090	75,815	56,419	6,588	(3,548)	35,356	174,720	21,438	196,158

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2018

1. GENERAL INFORMATION

Tonking New Energy Group Holdings Limited (the "Company") was incorporated in the Cayman Islands on 21 June 2013 as an exempted company with limited liability under the Companies law of the Cayman Islands. The shares of the Company have been listed on the GEM of The Stock Exchange with effect from 21 November 2013. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is at Unit E, 29th Floor, CNT Tower, No. 338 Hennessy Road, Hong Kong.

During the three months ended 30 June 2018, the Group is principally engaged in the renewable energy business in the People's Republic of China (the "PRC") and the operation and management of 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 various restaurants and cake shops in Hong Kong. As at the date of this quarterly report, the disposal has not yet completed.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the three months ended 30 June 2018 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 30 June 2018 are consistent with those adopted in the Group's annual financial statements for the year ended 31 March 2018, 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 2018. The unaudited condensed consolidated financial statements for the three months ended 30 June 2018 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 20 June 2018.

The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the three months ended 30 June 2018 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the three months ended 30 June 2018.

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

The unaudited condensed consolidated financial statements for the three months ended 30 June 2018 have been prepared under the historical cost convention.

3. REVENUE AND OTHER INCOME

	Three months ended 30 June	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue		
Restaurant operations	50,862	54,755
Construction contracts	172,884	298,964
	223,746	353,719
Other income		
Interest income	305	40
Others	871	71
	1,176	111

4. PROFIT BEFORE TAX

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

	Three months ended 30 June	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Cost of food and beverage	14,655	16,055
Amortisation of intangible assets	428	60
Depreciation	3,497	3,353
Lease payments under operating lease in respect of land and buildings:		
Minimum lease payments	12,058	12,685
Contingent rents	82	85
	12,140	12,770
Contract costs:		
Cost of construction material and supplies	139,286	236,396
Subcontracting charges and labour costs	4,363	16,615
Transportation	1,568	1,625
Machine and vehicle rental	1,154	515
Other expenses	761	803
	147,132	255,954
Employee benefits expenses (excluding directors' and chief executive's remuneration):		
Salaries, wages and other benefits	18,713	22,383
Retirement benefits scheme contributions	1,540	1,276
	20,253	23,659
Exchange differences, net	(19)	19

5. INCOME TAX EXPENSE

	Three months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong		
– charge for the period	**526**	519
Current tax – PRC	**3,031**	2,027
	3,557	2,546

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the three months ended 30 June 2018 and 2017.

PRC

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

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

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

For the three months ended 30 June 2018, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the unaudited condensed consolidated profit attributable to owners of the Company of approximately HK4,969,000 and (ii) the weighted average number of ordinary shares 818,000,000 in issue.

For the three months ended 30 June 2017, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the unaudited condensed consolidated profit attributable to owners of the Company of approximately HK$13,802,000 and (ii) the restated weighted average number of ordinary shares 818,000,000 in issue.

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 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.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the three months ended 30 June 2018 and 2017.

7. DIVIDENDS

No dividend has been paid or declared by the Company for the three months ended 30 June 2018 and 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Renewable Energy Business

According to the business development requirements of the Group, the renewable energy business of the Group could be categorised into two segments: provision of a one-stop value-added solution for photovoltaic power stations (EPC, maintenance and support, and operation) and sales of the patented photovoltaic tracking mounting bracket systems.

As of 30 June 2018, Tonking New Energy Technology (Shanghai) Limited*（同景新能源科技（上海）有限公司）has six wholly-owned subsidiaries, namely Tonking New Energy Technology (Jiang Shan) Limited*（同景新能源科技（江山）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）, 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 a non-wholly owned subsidiary, namely Jin Zhai Xian Tong Jing New Energy Limited*（金寨縣同景新能源有限公司）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$172,884,000 (2017 corresponding period: HK$298,964,000), which was mainly attributable to the provision of one-stop value-added solutions for photovoltaic power stations and the sales of patented photovoltaic tracking mounting bracket systems. During the reporting period, the total contracted installed capacity of the Group was 232.2MW.

During the reporting period,

(I) Entering into new contracts

(1) On 2 April 2018, Tonking Photovoltaic entered into a contract with Changshan County Huibu Town Shimuling Village Stock Economic Cooperative*（常山縣輝埠鎮石姆嶺村股份經濟合作社）in relation to the equipment procurement and installation project of the 1.56MWp photovoltaic power station in Shimuling Village, Huibu Town, Changshan County.

(2) On 13 April 2018, Tonking New Energy Technology entered into a procurement contract with Yuchai Marketing Co.,Ltd.*（玉柴營銷有限公司）in relation to the flat uniaxial tracking mounting bracket for districts A and B of phase II of 40MWp agricultural photovoltaic power generation project in Guipin, Yuchai.

(3) On 16 April 2018, Tonking Photovoltaic entered into a procurement contract with Wanhuitong Energy Technology Co., Ltd.*（萬匯通能源科技有限公司）in relation to the flat uniaxial tracking mounting bracket equipment for the 84.464MWp photovoltaic power generation project in Garzê Prefecture, Sichuan Province.

(4) On 22 April 2018, Tonking Photovoltaic entered into a purchase and sale contract with Ningxia Luyu Construction Co., Ltd.*（寧夏魯禹建設工程有限公司）in relation to the fixed mounting brackets of sheepfolds for the 6.36MWp photovoltaic power generation project combining with agriculture in Yongning county, Ningxia.

(5) In May 2018, Tonking Photovoltaic entered into a procurement contract with Jiangsu Ruiwang New Energy Technology Co., Ltd.*（江蘇瑞旺能源科技有限公司）in relation to the fixed mounting brackets for the 5.9MWp photovoltaic power station project of the photovoltaic poverty-alleviation power plant in Luci town, Leping.

(6) In June 2018, Tonking Photovoltaic entered into a procurement contract with Hangkai Photovoltaic Technology Co., Ltd.*（浙江杭開光伏科技有限公司）in relation to the fixed mounting brackets for the 2MWp photovoltaic power station project in Hunan Town, Qujiang District, Quzhou City.

(II) Successful Tender and Contracts Awarded

(1) A contract was awarded by Wuling Wuhai Electric Power Co., Ltd.*（五淩烏海電力有限公司）to Tonking Photovoltaic in relation to the engineering, procurement and construction general contracting for the 47.65804MWp photovoltaic field of Wuling Wuhai.

(2) A contract was awarded by Guangxi Xijiang Group Investment Co., Ltd.*（廣西西江集團投資股份有限公司）to Tonking New Energy Technology and entered into with Guangxi Tiandong Xijiang Energy Co., Ltd.*（廣西田東西江能源有限公司）in relation to the procurement of floating photovoltaic system for the 27MWp hydro-photovoltaic project at the Lila Ditch of Weir Reservoir Area in Youjiang district, Guangxi Province.

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

The mounting bracket systems independently developed by the Group will be applied in all the above projects. The bracket components will be made of high-quality materials such as steel structures and aluminum alloys. The surface will be treated with hot-dip galvanized rust-prevention and vacuum-infiltrated zinc alloy anti-corrosion treatment, with anti-corrosion durability not less than 25 years. As aluminum alloys are light-weighted, recyclable and reusable with strong toughness, high yield strength, and are highly resistant to corrosion, they can minimize costs and maximize overall efficiency. Integration of the above characteristics with the structure of Tonking's mounting bracket can significantly improve the tracking accuracy of the mounting brackets, which can in turn improve the power generation efficiency remarkably. It not only satisfies customer's requirement for corrosion resistance of the product, but also maximizes economic benefits for customers.

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

Food and Beverage Business

The Group is also operating 9 full-service restaurants and 1 cake shop as at 30 June 2018, 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. The Group endeavored to work out the philosophy – "unique dining concepts" through quality dishes accompanied by a pleasant atmosphere and attentive services.

Disposal of Food and Beverage Business

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 Glory Kind Development Limited (the "Disposal Company"), at the consideration of HK$50,505,000 (the "Disposal"). The Disposal Company is a wholly-owned subsidiary of the Company and is an investment holding company. The Disposal Company and its subsidiaries ("Disposal Group") is principally engaged in the operation and management of restaurants and cake shops in Hong Kong. Upon the completion, the Company will cease to hold any interest in the Disposal Company. Each member of the Disposal Group will cease to be a subsidiary of the Company.

The consideration of HK$50,505,000 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.

Further to the announcement made on 8 January 2018 (after trading hours), the Company and the Purchaser 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 the Purchaser).

Further to the announcement made on 9 April 2018 (after trading hours), the Company and the Purchaser entered into a second supplemental agreement to the Sale and Purchase Agreement dated 9 April 2018 whereby the parties agreed to extend the long stop date from 9 April 2018 to 31 August 2018 (or such later date as may be agreed between the Company and the Purchaser).

As at the date of this quarterly report, the Disposal has not yet completed.

FINANCIAL REVIEW

Revenue

For the three months ended 30 June 2018, the Group recorded revenue of approximately HK$223,746,000 (2017: approximately HK$353,719,000), representing an decrease of approximately 37% compared with the three months ended 30 June 2017.

Cost of food and beverage

The cost of food and beverage for the three months ended 30 June 2018 amounted to approximately HK$14,655,000 (2017: approximately HK$16,055,000). Despite rising inflation in the market, the Group was able to maintain the overall cost margin at a level of or below approximately 30% of revenue for both of the three months ended 30 June 2018 and 2017. The Directors will continue to monitor the cost of inventories sold as a percentage of revenue, which is a key performance indicator of the overall efficiency and profitability of the restaurant operations.

Contract Costs

The contract costs for the three months ended 30 June 2018 was approximately HK$147,132,000 (2017: 255,954,000). The costs were derived from the renewable energy business which was mainly attributable to the cost of construction materials and supplies, subcontracting charges and labour costs, transportation, machine and vehicle rental and other expenses.

Staff costs

The staff costs decreased by approximately 13% to approximately HK$21,189,000 for the three months ended 30 June 2018 (2017: approximately HK$24,329,000).

Depreciation and amortisation

Depreciation and amortisation increased by approximately 15% to approximately HK$3,925,000 for the three months ended 30 June 2018 (2017: approximately HK$3,413,000).

Property rentals and related expenses

The property rentals and related expenses for the three months ended 30 June 2018 amounted to approximately HK$12,594,000 (2017: approximately HK$13,584,000), representing an decrease of approximately 7% as compared to the corresponding period in 2017. The decrease was mainly derived from closed down of several outlets during the year ended 31 March 2018 in food and beverage business.

Administrative and other operating expenses

Administrative and other operating expenses decreased by approximately 36% to approximately HK$14,478,000 for the three months ended 30 June 2018 from approximately HK$22,502,000 for the corresponding period in 2017.

Finance costs

Finance costs amounted to approximately HK$1,212,000 for the three months ended 30 June 2018 (2017: HK$467,000).

Net profit for the period

The Group recorded profit attributable to owners of the Company of approximately HK$4,969,000 (2017: profit of approximately HK$13,802,000). The profit was mainly attributable to the profit from renewable energy business that the Group commenced operation in the fourth quarter of 2015.

FUTURE PROSPECTS

1. Notice on Issuing the "13th Five-year Plan for Solar Energy Development"

   In November 2016, the State Council published this notice which sets the target to increase installed photovoltaic capacity to 1,050GW by 2020. The plan accelerates the development of clean and safe energy system and improves cost efficiency and application of solar energy industry.

2. The Ministry of Land and Resources, the State Council Leading Group Office of Poverty Alleviation and Development and the 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) 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. Unutilised 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"), other photovoltaic power station projects shall use land in strict compliance with the requirements of Guo Tu Zi Gui [2015] No. 5(國土資規[2015]5號文). For projects involved in unutilised 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. Notice on the Issues Related to the Construction of Fore-runner Bases for Photovoltaic Power Generation in 2017(《關於2017年光伏發電領跑基地建設有關事項的通知》)

The National Energy Administration issued this notice in December 2017. The project of fore-runner bases for photovoltaic power generation aims to improve the efficiency of photovoltaic power generation, upgrade the industry, develop more applications and reduce the cost of power generation by selecting and supporting the outstanding corporations in photovoltaic industry. As regards the photovoltaic products purchase, land approval and grid integration, national photovoltaic projects will give priority to the qualified enterprises in the project of fore-runner bases for photovoltaic power generation. In addition, this notice can ensure the qualities of the candidate enterprises, which have adequate capacity in finance and scientific research so as to promote the development of industry.

In order to speed up the further development in photovoltaic sector, the Group will, on the one hand, increase the proportion of research and development investment, focusing on the research and development of high quality, leading photovoltaic tracking system products with sustained market competitiveness. Through innovation, we aim to improve product performance, reduce power generation cost and promote grid parity. With its own resources and competitive advantages, the Group actively 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 system in the industry. On the other hand, based on the steady development of domestic business, we intend to 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 ensure its products pass UL testing and relevant international certification standards. Currently, the Group has made cooperation with Lebanon, and is planning to sell its products to the Africa, India, Southeast Asia and other countries in the future.

We believe that under the joint efforts of the Group as a whole, in the photovoltaic market where technological development becomes increasingly mature, the Group's photovoltaic tracking system enjoying technological advantage will gain more recognition and popularity among its peers in the industry, and it will become much more competitive over time with a surging number of power stations applying such technology.

Liquidity, Financial and Capital Resources

Capital structure

As at 30 June 2018, the share capital and equity attributable to owners of the Company amounted to HK$8,180,000 and approximately HK$181,463,000 respectively (2017: HK$4,090,000 and approximately HK$170,630,000 respectively).

Cash position

As at 30 June 2018, the cash and cash equivalents of the Group amounted to approximately HK$57,368,000 (2017: approximately HK$127,769,000), representing decrease of approximately 55% as compared to that as at 30 June 2017.

Borrowings

As at 30 June 2018, total borrowings of the Group amounted to approximately HK$96,785,000 (2017: HK$37,812,000) which was derived from the issue of a promissory note and loans borrowed from banks. On 9 September 2015, the Group issued a promissory note to an independent third party with an aggregate principal amount of HK$36,000,000 which bears an interest rate of 4% per annum for a term of two years. During the year ended 31 March 2018 and the period ended 30 June 2018, the Company extended the promissory note of several times and the new maturity date is 7 November 2018, the terms remain unchanged upon the extension.

During the period, the Group has borrowed short-term bank loans amounted to approximately HK$57,526,000 which bears an average interest rate of 5.26% per annum.

Pledge of assets

As at 30 June 2018 and 2017, the entire issued share capital of Glory Kind Development Limited (a direct wholly-owned subsidiary of the Company) were pledged to secure the issue of a promissory note to an independent third party.

Gearing ratio

As at 30 June 2018, the gearing ratio of the Group was approximately 39% (2017: approximately 28%). The gearing ratio is calculated based on the total debt at the end of the period divided by the total debt plus total equity at the end of the respective period. Total debt represents all liabilities excluding trade payables, bills payable, other payables and accruals, receive in advance, tax payable and provision for reinstatement costs.

CORPORATE GOVERNANCE CODE

During the three months ended 30 June 2018, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "Code") contained in Appendix 15 to the GEM Listing Rules, except for the deviation from code provision A.2.1 as described below.

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

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

COMPETING BUSINESS

For the three months ended 30 June 2018, none of the Directors, the controlling shareholders or the substantial shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the three months ended 30 June 2018.

THE INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the shares (the "Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name of Directors	Capacity	Number of ordinary shares interested	Approximate percentage of shareholding
Mr. Wu Jian Nong	Interest of controlled corporation (note)	231,454,000	28.30%

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, Mr Xu Shui Sheng and Ms. Shen Meng Hong beneficially owns 96%, 3% and 1% of the issued share capital of Rise Triumph Limited respectively. Mr Xu Shui Sheng and Ms. Shen Meng Hong are therefore deemed to held 6,731,400 Shares (being 0.82%) and 2,243,800 Shares (being 0.27%) of the Shares of the Company respectively. Mr. Wu Jian Nong, Mr Xu Shui Sheng and Ms. Shen Meng Hong beneficially owns 85%, 3% and 1% of the issued share capital of Signkey Group Limited respectively. Mr. Wu Jian Nong is deemed, or taken to be, interested in all the Shares held by Rise Triumph Limited and Signkey Group Limited respectively for the purpose of the SFO.

Save as disclosed above and so far as is known to the Directors, as at 30 June 2018, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

THE INTERESTS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES AND THE INTERESTS AND SHORT POSITIONS OF OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2018 and so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of Shareholders	Nature of Interest	Number of Shares interested	Approximate percentage of shareholding
Rise Triumph Limited (Note 1)	Beneficial owner	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 30 June 2018, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

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

Since the adoption of the Share Option Scheme up to the date of this report, no share options have been granted pursuant to the Share Option Scheme.

There is no option outstanding, granted, cancelled and lapsed during the three months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors for the three months ended 30 June 2018.

AUDIT COMMITTEE

The Company has established an audit committee with its terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the audit committee are (i) to review the financial systems of the Group; (ii) to review the accounting policy, financial position and financial reporting procedures of the Group; (iii) to communicate with external auditors; (iv) to assess the performance of internal financial and audit personnel; and (v) to assess the internal controls of the Group. The audit committee has reviewed the unaudited condensed consolidated financial statements and the results of the Group for the three months ended 30 June 2018 and this report, and considered that the results and this report have been prepared in accordance with the applicable accounting standards and requirements.

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

Hong Kong, 10 August 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, Ms. Wang Xiaoxiong and Mr. Zhou Yuan.