



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)**



\* For identification purpose only

# 2018

## THIRD QUARTERLY REPORT

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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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 2018 (hereinafter the nine months ended 31 December 2018 are referred to as the “Reporting Period”), 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 and nine months ended 31 December 2018

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)
<b>REVENUE</b>	3	209,424	166,067	661,720	725,284
Other income/(expenses)	3	7,472	(1,859)	9,135	(330)
Cost of food and beverage	4	(12,762)	(16,863)	(42,493)	(49,090)
Contract costs	4	(142,033)	(109,925)	(443,409)	(491,330)
Gain on disposal of a subsidiary	8	8,677	-	8,677	-
Staff costs		(25,024)	(22,502)	(66,741)	(68,723)
Depreciation and amortisation		(4,899)	(3,050)	(12,076)	(10,181)
Property rentals and related expenses		(10,047)	(13,344)	(34,733)	(42,376)
Fuel and utility expenses		(814)	(1,114)	(3,097)	(3,655)
Administrative and other operating expenses		(1,413)	(9,527)	(25,288)	(38,495)
Finance costs		(2,293)	(673)	(3,579)	(1,824)
<b>PROFIT/(LOSS) BEFORE TAX</b>	4	26,288	(12,790)	48,116	19,280
Income tax	5	(3,274)	2,435	(10,769)	(5,826)
<b>PROFIT/(LOSS) FOR THE PERIODS</b>		23,014	(10,355)	37,347	13,454
Attributable to:					
Owners of the Company		20,933	(10,596)	34,860	13,009
Non-controlling interests		2,081	241	2,487	445
Profit/(loss) for the periods		23,014	(10,355)	37,347	13,454

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

For the three and nine months ended 31 December 2018

Notes	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	2.56	(1.29)	4.26	1.59
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>				
<i>Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	1,114	3,322	(24,002)	11,328
Other comprehensive income/(expense), net of tax	1,114	3,322	(24,002)	11,328
<b>TOTAL COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIODS</b>	24,128	(7,033)	13,345	24,782
Attributable to:				
Owners of the Company	21,993	(7,606)	14,921	24,117
Non-controlling interests	2,135	573	(1,576)	665
	24,128	(7,033)	13,345	24,782

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the nine months ended 31 December 2018*

	Attributable to owners of the Company								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/ (Accumulated losses) HK\$'000	Total HK\$'000	Non- controlling interests 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	-	-	-	-	-	34,860	34,860	2,487	37,347
Other comprehensive income for the period	-	-	-	-	(19,939)	-	(19,939)	(4,063)	(24,002)
Total comprehensive income for the period	-	-	-	-	(19,939)	34,860	14,921	(1,576)	13,345
Disposal of a subsidiary	-	-	(51,567)	-	-	11,320	(40,247)	(3,923)	(44,170)
Transfer to statutory reserves	-	-	-	1,741	-	(1,741)	-	-	-
At 31 December 2018 (unaudited)	8,180	71,725	-	9,315	(7,055)	89,675	171,840	20,816	192,656
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

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***For the nine months ended 31 December 2018***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 E, 29th Floor, CNT Tower, No. 338, Hennessy Road, Hong Kong.

The Company’s principal activity during the nine months ended 31 December 2018 was investment holding. The Group’s principal activities during the six months ended 30 September 2018 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.

All the conditions precedent under the Sale and Purchase Agreement have been fulfilled and the completion took place on 19 December 2018. Following the completion, the Company cease to hold any equity interest of the Glory Kind Development Limited and its financial results will no longer be consolidated into the Company’s consolidated financial statements.

**2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES**

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

**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 2018 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 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 nine months ended 31 December 2018 have been prepared under the historical cost convention. The unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Group.

**3. REVENUE AND OTHER (EXPENSES)/INCOME**

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)
Revenue				
Restaurant operations	46,183	58,754	148,799	171,521
Construction contracts	163,241	107,313	512,921	553,763
	<b>209,424</b>	<b>166,067</b>	<b>661,720</b>	<b>725,284</b>
Other income/(expenses)				
Interest income	72	227	502	366
Others	7,400	(2,086)	8,633	(696)
	<b>7,472</b>	<b>(1,859)</b>	<b>9,135</b>	<b>(330)</b>

#### 4. PROFIT/(LOSS) BEFORE TAX

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)
Cost of food and beverage	12,762	16,863	42,493	49,090
Depreciation	4,509	2,896	10,854	9,893
Amortisation	390	154	1,222	288
Lease payments under operating lease in respect of land and buildings:				
Minimum lease payments	9,684	12,649	33,347	40,566
Contingent rents	39	112	180	285
Contract costs:				
Cost of construction material and supplies	106,057	65,801	370,557	390,528
Subcontracting charges and labour cost	33,223	39,916	59,542	88,895
Transportation	770	1,256	4,518	3,489
Machine and vehicle rental	1,242	1,133	4,276	4,145
Other expenses	741	1,819	4,516	4,273
	142,033	109,925	443,409	491,330
Employee benefits expenses (excluding directors' and chief executive's remuneration):				
Salaries, wages and other benefits	21,468	19,647	59,675	60,450
Retirement benefits scheme contributions	1,271	986	3,375	3,453
	22,739	20,633	63,050	63,903
Loss on disposal of items of property, plant and equipment	-	-	400	-
Loss on disposal of items of intangible assets	-	-	26	-
Exchange differences, net	1	1	(32)	35

## 5. INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited) (Restated)
Current tax - Hong Kong	735	411	1,108	1,579
Current tax - PRC	2,539	(2,846)	9,661	4,247
	3,274	(2,435)	10,769	5,826

### 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 2018 and 2017.

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

### (a) Basic earnings/(loss) per share

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

	Three months ended 31 December		Nine months ended 31 December	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
The Group's profit/(loss) for the periods attributable to owners of the Company	20,933	(10,596)	34,860	13,009
Number of shares Weighted average number of shares	818,000	818,000	818,000	818,000

(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 nine months ended 31 December 2018 and 2017.

## 7. DIVIDENDS

No dividends have been paid or declared by the Company during the nine months ended 31 December 2018 and 2017.

## 8. 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 in Hong Kong.

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.

All the Conditions Precedent under the Sale and Purchase Agreement have been fulfilled, and the Completion took place on 19 December 2018. Following the Completion, the Company shall cease to hold any equity interest of the Disposal Group and each member of the Disposal Group shall cease to be a subsidiary of the Company. The financial results of the Disposal Group will no longer be consolidated into the Company’s consolidated financial statements.

The net assets of the subsidiary at the date of disposal were as follows:

	<b>19 December 2018</b>
	HK\$’000
	(Unaudited)
<b>Net assets disposed of:</b>	
Property, plant and equipment	23,022
Intangible assets	1,126
Non-current rental deposits	13,561
Inventories	1,774
Trade receivables	2,643
Prepayments, deposits and other receivables	12,111
Due from related parties and non-controlling shareholders	30,662
Tax recoverable	1,039
Cash and cash equivalents	19,212
Trade payables	(8,932)
Other payables and accruals	(16,064)
Due to related parties and non-controlling shareholders	(29,997)
Tax payable	(1,301)
Provision for reinstatement costs	(7,534)
	<hr/>
	41,322

**8. DISPOSAL OF FOOD AND BEVERAGE BUSINESS** *(Continued)*

Gain on disposal of the subsidiary is as follows:

	<b>19 December 2018</b> HK\$'000 (Unaudited)
Total consideration	50,505
Net assets value of the disposal group as at 19 December 2018	(41,322)
Non-controlling interests of the Disposal Group as at 19 December 2018	3,923
Transaction costs and expenses	(4,429)
	<hr/>
Gain on the Disposal as at 19 December 2018	<b>8,677</b>

An analysis of the net flow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	<b>19 December 2018</b> HK\$'000 (Unaudited)
Cash consideration	23,000
Less: transaction costs and expenses	(4,429)
Net cash proceed received upon the disposal as at 19 December 2018	18,571
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Less: Cash and bank balance of disposal group as at 19 December 2018	(19,212)
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Net cash flow from the disposal as at 19 December 2018	<b>(641)</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Renewable Energy Business

According to its development needs, the Group has adjusted its renewable energy business into two major segments, namely, (i) provision of a one-stop value added solution for photovoltaic power stations (EPC, maintenance and support, and operation) and (ii) sales of the patented photovoltaic tracking mounting bracket systems.

As of 31 December 2018, Tonking New Energy Technology (Shanghai) Co., Ltd.\* (同景新能源科技(上海)有限公司) has five wholly-owned subsidiaries, namely, Tonking New Energy Technology (Jiangshan) Co., Ltd.\* (同景新能源科技(江山)有限公司), Horqin Zuo Yi Hou Qi Tong Jing New Energy Co., Ltd.\* (科爾沁左翼後旗同景新能源有限公司), Huai Nan City Tonking New Energy Co., Ltd.\* (淮南市同景新能源有限公司), Zhenping County Tonking New Energy Co., Ltd.\* (鎮平縣同景新能源有限公司) and Lin Yi City Tonking New Energy Co., Ltd.\* (臨沂市同景新能源有限公司), as well as one non-wholly owned subsidiary, namely, Jin Zhai County Tonking New Energy Co., Ltd.\* (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, our renewable energy business recorded a total revenue of approximately HK\$512,921,000 (2017 corresponding period: HK\$553,763,000), which was mainly attributable to the provision of one-stop value-added solutions for photovoltaic power stations and sales of the patented photovoltaic tracking mounting bracket systems. During the reporting period, the total contracted installed capacity of Group was 375.8MW.

During the Reporting Period,

#### *(I) Entering into new contracts*

- (1) On 2 April 2018, Tonking New Energy Technology (Jiangshan) Co., Ltd.\* (同景新能源科技(江山)有限公司) 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 (Shanghai) Co., Ltd.\* (同景新能源科技(上海)有限公司) entered into a procurement contract with Yuchai Marketing Co., Ltd.\* (玉柴行銷有限公司) 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 New Energy Technology (Jiangshan) Co., Ltd.\* (同景新能源科技(江山)有限公司) 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 34.464MWp photovoltaic power generation project in Garzê Prefecture, Sichuan Province.

- (4) On 22 April 2018, Tonking New Energy Technology (Jiangshan) Co., Ltd.\* (同景新能源科技(江山)有限公司) 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 project in agriculture in Yongning county, Ningxia.
- (5) In May 2018, Tonking New Energy Technology (Jiangshan) Co., Ltd.\* (同景新能源科技(江山)有限公司) entered into a procurement contract with Jiangsu Ruiwang 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 New Energy Technology (Jiangshan) Co., Ltd.\* (同景新能源科技(江山)有限公司) entered into a procurement contract with Zhejiang 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.
- (7) In July 2018, Tonking New Energy entered into an agreement with Jiangxi Dexing Photovoltaic Power Co. Ltd. of State Power Investment Group\* (國家電投集團江西德興光伏發電有限公司) in relation to the purchases, sales and installation of mounting system for the 13.496MW CPI photovoltaic power generation project combining with projects in agriculture and forestry in Dexing City.
- (8) In August 2018, Tonking New Energy Technology (Jiangshan) Co., Ltd.\* (同景新能源科技(江山)有限公司) entered into a contract with Jiangshan City Xintangbian Town Maocunshantou Village Stock Economic Cooperative\* (江山市新塘邊鎮毛村山頭村股份經濟合作社) in relation to the equipment procurement and installation project of the 305.5KWp photovoltaic ground power station in Maocunshantou Village, Xintangbian Town, Jiangshan City.
- (9) In August 2018, Tonking New Energy Technology (Shanghai) Co., Ltd.\* (同景新能源科技(上海)有限公司) entered into a procurement contract with Sungrow Power Supply Co., Ltd.\* (陽光電源股份有限公司) in relation to the mounting bracket for Sungrow Power Supply's 5.51152MW Fore-runner photovoltaic power station project in Weinan region.
- (10) In August 2018, Tonking New Energy Technology (Shanghai) Co., Ltd.\* (同景新能源科技(上海)有限公司) entered into a procurement contract with Sungrow Power Supply Co., Ltd.\* (陽光電源股份有限公司) in relation to the fixed/adjustable brackets for Sungrow Power Supply's 55.46024MW Fore-runner photovoltaic power station project in Golmud City.
- (11) In September 2018, Tonking New Energy Technology (Shanghai) Co., Ltd.\* (同景新能源科技(上海)有限公司) entered into a procurement contract with Sungrow Power Supply Co., Ltd.\* (陽光電源股份有限公司) in relation to the brackets for Sungrow Power Supply's 50.42286MW photovoltaic poverty-alleviation project in Qinghai Province.

- (12) In November 2018, Tonking New Energy Technology (Shanghai) Co., Ltd.\* (同景新能源科技(上海)有限公司) entered into a procurement contract with CPI Power Engineering Co., Ltd.\* (中電投電力工程有限公司) in relation to the tracking mounting bracket devices for 44.06848MW fishery photovoltaic complementary project I at Sheyang Lake in Photovoltaic Power Generation Fore-runner Base in Baoying County.
- (13) In November 2018, Tonking New Energy Technology (Shanghai) Co., Ltd.\* (同景新能源科技(上海)有限公司) entered into a procurement contract with CPI Power Engineering Co., Ltd.\* (中電投電力工程有限公司) in relation to the fixed mounting bracket devices for 9.984MW fishery photovoltaic complementary project I at Sheyang Lake in Photovoltaic Power Generation Fore-runner Base in Baoying County.
- (14) In November 2018, Tonking New Energy Technology (Jiangshan) Co., Ltd.\* (同景新能源科技(江山)有限公司) entered into an EPC general contract with Zhejiang China New Energy Development Co., Ltd.\* (浙江中新能源發展有限公司) in relation to the 16.2KW tea photovoltaic complementary project in Rizhao City, Shandong Province.
- (15) In November 2018, Tonking New Energy Technology (Jiangshan) Co., Ltd.\* (同景新能源科技(江山)有限公司) entered into a procurement contract with Shanghai Baoye Group Corp., Ltd.\* (上海寶冶集團有限公司) in relation to the 9.3536MW agricultural photovoltaic power plant project with flat uniaxial brackets in Hanchuan City, Hubei Province.
- (16) In December 2018, Tonking New Energy Technology (Shanghai) Co., Ltd.\* (同景新能源科技(上海)有限公司) entered into a procurement contract with Sungrow Power Supply Co., Ltd.\* (陽光電源股份有限公司) in relation to the photovoltaic brackets for Sungrow Power Supply's 3.96MW Jinzhai Project.
- (17) In December 2018, Tonking New Energy Technology (Jiangshan) Co., Ltd.\* (同景新能源科技(江山)有限公司) entered into a procurement contract with Shanghai Baoye Group Corp., Ltd.\* (上海寶冶集團有限公司) in relation to the 2.4864MW agricultural photovoltaic power plant project with flat uniaxial brackets in Hanchuan City, Hubei Province.

**(II) Successful Tender and Contracts Awarded**

- (1) A contract was awarded by Wuling Wuhai Electric Power Co., Ltd.\* (五凌烏海電力有限公司) to Tonking New Energy Technology (Jiangshan) Co., Ltd.\* (同景新能源科技(江山)有限公司) 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 (Shanghai) Co., Ltd.\* (同景新能源科技(上海)有限公司) 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 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.

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 renewable energy and careful analysis of China's policies, it can provide customers with an ecological integrated 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 technological advantage 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 certification of American Underwriters Laboratories (UL). And at the same time, Tonking New Energy Technology (Jiangshan) Co., Ltd.\* (同景新能源科技(江山)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 (Renewable 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 renewable energy industry.

## FINANCIAL REVIEW

### Revenue

For the nine months ended 31 December 2018, the Group recorded an unaudited revenue of approximately HK\$661,720,000, representing a decrease of approximately 9% compared with approximately HK\$725,284,000 of the corresponding period in 2017.

### Contract costs

The contract cost for the nine months ended 31 December 2018 was approximately HK\$443,409,000 (2017: approximately HK\$491,330,000). 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 3% to approximately HK\$66,741,000 for the nine months ended 31 December 2018 (for the nine months ended 31 December 2017: approximately HK\$68,723,000).

### Depreciation and amortisation

Depreciation and amortisation increased by approximately 19% to approximately HK\$12,076,000 for the nine months ended 31 December 2018 (for the nine months ended 31 December 2017: approximately HK\$10,181,000).

### Property rentals and related expenses

The property rentals and related expenses for the nine months ended 31 December 2018 amounted to approximately HK\$34,733,000 (for the nine months ended 31 December 2017: approximately HK\$42,376,000), representing a decrease of approximately 18% as compared to the corresponding period in 2017.

### Administrative and other operating expenses

Administrative and other operating expenses decreased by approximately 34% to approximately HK\$25,288,000 for the nine months ended 31 December 2018 from approximately HK\$38,495,000 for the corresponding period in 2017.

### Net profit

For the nine months ended 31 December 2018, the Group recorded profit attributable to owners of the company of approximately HK\$34,860,000 (For the nine months ended 31 December 2017: profit of approximately HK\$13,009,000).

## FUTURE PROSPECTS

1. 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號關於支援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.

2. The 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 (“NEA”) 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 the industry.

3. The Notice on the Issues Related to Photovoltaic Power Generation in 2018 (《關於2018年光伏發電有關事項的通知》)

The NDRC, Ministry of Finance, NEA jointly issued this notice on 31 May 2018. Such notice aims to reasonably control the development pace while optimising the new construction scale of photovoltaic power generation; to standardize the development of distributed photovoltaic power; to support photovoltaic power poverty alleviation and achieve targeted poverty alleviation; to proceed the construction of fore-runner bases for photovoltaic power generation in an orderly way; to encourage local government to support the development of photovoltaic power industry by formulating policies based on their actual situation; to speed up the subsidy reduction process on photovoltaic power generation through lowering the levels of subsidies; to further enhance special projects of market-oriented distribution by activating the decisive role of market-oriented resource allocation.

4. The Notice of the National Development and Reform Commission and the National Energy Administration on Active Promotion of the Work on Grid Parity of Wind Power and Photovoltaic Power without Subsidies (《國家發展改革委國家能源局關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》)

In early January 2019, the National Development and Reform Commission and the National Energy Administration jointly issued the Document Fa Gai Neng Yuan [2019] No. 19. The notice aims to carry out the construction grid parity projects and low-price grid pilot projects, optimize the investment environment for the grid parity projects and low-price grid projects, ensure the implementation of prioritized power generation and fully capacity guaranteed purchase, and encourage the grid parity projects and low-price grid projects to obtain reasonable compensation through transaction of green certificates.

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 31 December 2018, the share capital and equity attributable to owners of the Company amounted to HK\$8,180,000 and approximately HK\$171,840,000 respectively (as at 31 March 2018: HK\$8,180,000 and approximately HK\$197,166,000 respectively).

### Cash position

As at 31 December 2018, the cash and cash equivalents of the Group amounted to approximately HK\$85,005,000 (as at 31 March 2018: approximately HK\$69,831,000), representing an increase of approximately 22% as compared to that as at 31 March 2018.

### Borrowing

On 23 January 2018, 24 August 2018 and 9 November 2018, Tonking New Energy Technology (Jiangshan) Co., Ltd.\* (同景新能源科技(江山)有限公司), a wholly owned subsidiary of the Company, signed twelve-month loan agreements with banks in China, with principal amounts of RMB28,500,000, RMB23,000,000 and RMB37,000,000 respectively, bearing interests at 5.742%, 4.40% and 6.09% per annum. The loans will be due on 22 January 2019, 23 August 2019 and 8 November 2019 respectively.

### Pledge of assets

On 9 September 2015, the Disposal Group issued the Promissory Note to Oriental Splendour Limited, a third party independent from and not connected with the Company and its connected person, with a principal amount of HK\$36,000,000 secured by a charge on the entire issued share capital of the Disposal Group (the "Share Charge").

As at 30 September 2018 and 31 March 2018, 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 Oriental Splendour Limited, an independent third party.

On 12 October 2018, a Deed of Release of Share Charge was entered into by Oriental Splendour Limited (as chargee) in favour of the Company (as chargor) of the entire share capital of the Disposal Company dated 9 September 2015 whereas Oriental Splendour Limited agreed to discharge the Company from its obligations under, and the security constituted by, the Share Charge.

### Gearing ratio

As at 31 December 2018, the gearing ratio of the Group was approximately 44% (as at 31 March 2018: approximately 53%). 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 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 nine months ended 31 December 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 31 December 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 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> )	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 own 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 31 December 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 31 December 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:

##### 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	224,380,000	27.43%
Victory Stand International Limited ("Victory Stand") ( <i>Note 2</i> )	Beneficial owner	206,000,000	25.18%

##### Note:

- 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.
- These 206,000,000 Shares are held by 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 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 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 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 nine months ended 31 December 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 nine months ended 31 December 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**  
**Wu Jian Nong**  
*Chairman*

Hong Kong, 1 February 2019

*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.*