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)

2019 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 2019 (hereinafter the nine months ended 31 December 2019 are referred to as the "Reporting Period"), together with the unaudited comparative figures for the respective corresponding periods in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and nine months ended 31 December 2019

		Three months ended 31 December		Nine months ended 31 December	
	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
REVENUE	*3*	194,292	209,424	213,648	661,720
Other income	*3*	9,557	7,472	16,086	9,135
Cost of food and beverage	*4*	–	(12,762)	–	(42,493)
Contract costs	*4*	(162,892)	(142,033)	(186,281)	(443,409)
Gain on disposal of a subsidiary	*8*	–	8,677	–	8,677
Staff costs		(6,913)	(25,024)	(12,126)	(66,741)
Depreciation and amortisation		(1,096)	(4,899)	(3,477)	(12,076)
Property rentals and related expenses		–	(10,047)	–	(34,733)
Fuel and utility expenses		(6)	(814)	(47)	(3,097)
Administrative and other operating expenses		(1,784)	(1,413)	(7,449)	(25,288)
Finance costs		(1,365)	(2,293)	(4,351)	(3,579)
PROFIT BEFORE TAX	*4*	29,793	26,288	16,003	48,116
Income tax	*5*	(1,576)	(3,274)	(2,370)	(10,769)
PROFIT FOR THE PERIODS		28,217	23,014	13,633	37,347
Attributable to:					
Owners of the Company		27,793	20,933	12,112	34,860
Non-controlling interests		424	2,081	1,521	2,487
Profit for the periods		28,217	23,014	13,633	37,347

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

For the three and nine months ended 31 December 2019

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		3.40	2.56	1.48	4.26
OTHER COMPREHENSIVE (EXPENSE)/INCOME					
Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		(806)	1,114	(13,111)	(24,002)
Other comprehensive (expense)/income, net of tax		(806)	1,114	(13,111)	(24,002)
TOTAL COMPREHENSIVE INCOME FOR THE PERIODS		27,411	24,128	522	13,345
Attributable to:					
Owners of the Company		27,411	21,993	(575)	14,921
Non-controlling interests		–	2,135	1,097	(1,576)
		27,411	24,128	522	13,345

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 31 December 2019

	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 2019 (audited)	8,180	71,725	–	8,518	(2,028)	124,327	210,722	19,651	230,373
Profit for the period	–	–	–	–	–	12,112	12,112	1,521	13,633
Other comprehensive income for the period	–	–	–	1,065	(13,752)	–	(12,687)	(424)	(13,111)
Total comprehensive income for the period	–	–	–	1,065	(13,752)	12,112	(575)	1,097	522
At 31 December 2019 (unaudited)	8,180	71,725	–	9,583	(15,780)	136,439	210,147	20,748	230,895
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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended 31 December 2019

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 Group's principal activity during the nine months ended 31 December 2019 was the renewable energy business in the People's Republic of China (the "PRC").

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 have been prepared in accordance with the accounting principles generally accepted in Hong Kong, and comply with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 are consistent with those adopted in the Group's annual financial statements for the year ended 31 March 2019, 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 2019. The unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 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 2019.

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2019 have been prepared under the historical cost convention.

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

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st March 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the interim period. HKFRS 16 superseded HKAS 17 Leases, and the related interpretations.

2.1.1. Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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

2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases *(Continued)*

2.1.1. Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases *(Continued)*

2.1.1. Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets *(Continued)*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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

2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases *(Continued)*

2.1.1. Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities *(Continued)*

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases *(Continued)*

2.1.1. Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee (Continued)

Lease modifications *(Continued)*

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply these standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st March 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 initially on 1st March 2019. As permitted by HKFRS 16, the Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of assets and liabilities at the date of transaction are recognised in the opening balance in the condensed consolidated statement of financial position at 1st March 2019.

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

2.1 Impacts and changes in accounting policies on application of HKFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

3. REVENUE AND OTHER INCOME

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue				
Restaurant operations	–	46,183	–	148,799
Construction contracts	194,292	163,241	213,648	512,921
	194,292	209,424	213,648	661,720
Other income				
Interest income	49	72	557	502
Electricity income	1,515	–	6,290	–
Subsidy income	6,806	–	6,806	–
Others	1,187	7,400	2,433	8,633
	9,557	7,472	16,086	9,135

4. PROFIT BEFORE TAX

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

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Cost of food and beverage	–	12,762	–	42,493
Depreciation	657	4,509	1,976	10,854
Amortisation of intangible assets	816	390	1,501	1,222
Amortisation of right-of-use assets	187	–	564	–
Contract costs:				
Cost of construction material and supplies	139,942	106,057	154,332	370,557
Subcontracting charges and labour cost	18,038	33,223	21,680	59,542
Transportation	379	770	780	4,518
Machine and vehicle rental	2,330	1,242	2,407	4,276
Other expenses	2,203	741	7,082	4,516
	162,892	142,033	186,281	443,409
Employee benefits expenses (excluding directors' and chief executive's remuneration):				
Salaries, wages and other benefits	4,670	21,468	7,835	59,675
Retirement benefits scheme contributions	1,110	1,271	1,529	3,375
	5,780	22,739	9,364	63,050
Loss on disposal of items of property, plant and equipment	–	–	–	400
Loss on disposal of items of intangible assets	–	–	–	26
Exchange differences, net	5	1	(12)	(32)

5. INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Current tax – Hong Kong	–	735	–	1,108
Current tax – PRC	1,576	2,539	2,370	9,661
	1,576	3,274	2,370	10,769

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 2019 and 2018.

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 PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic earnings per share

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

	Three months ended 31 December		Nine months ended 31 December	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
The Group's profit for the periods attributable to owners of the Company	27,793	20,933	12,112	34,860
Number of shares				
Weighted average number of shares	818,000	818,000	818,000	818,000

(b) 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 and nine months ended 31 December 2019 and 2018.

7. DIVIDENDS

No dividends have been paid or declared by the Company during the nine months ended 31 December 2019 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Renewable Energy Business

According to the Group's development needs, it has adjusted its renewable energy business by focusing on two major operations, namely, provision of one-stop value-added solutions (EPC, maintenance and support, and operation) for photovoltaic power stations and sale of patented photovoltaic tracking mounting bracket systems.

As at 31 December 2019, Tonking New Energy Technology (Shanghai) Limited*（同景新能源科技（上海）有限公司）has three wholly-owned subsidiaries, namely, Tonking New Energy Technology (Jiangshan) Limited*（同景新能源科技（江山）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 Tong Jing New Energy Limited*（臨沂市同景新能源有限公司）, as well as one non-wholly owned company, namely, Jin Zhai Xian Tong Jing New Energy Limited*（金寨縣同景新能源有限公司）.

During the reporting period, our renewable energy business recorded a total revenue of approximately HK$213,648,000 (2018 corresponding period: HK$512,921,000), which was mainly attributable to the provision of one-stop value-added solutions for photovoltaic power stations and sale of patented photovoltaic tracking mounting bracket systems. During the reporting period, the total contracted installed capacity of Group was 385.1893MW.

During the reporting period,

(I) Signing of new contracts

(1) On 24 May 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.*（陽光電源股份有限公司）entered into a procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's 0.0132MW village-level photovoltaic poverty-alleviation project in Taipusi County, Inner Mongolia

(2) On 28 June 2019, Tonking New Energy (Jiangshan) and Zhejiang LONGi Solar Technology Co., Ltd.*（浙江隆基樂葉光伏科技有限公司）entered into a contract in relation to the sale and purchase of the 0.003MW rooftop brackets products

(3) On 16 August 2019, Tonking New Energy (Jiangshan) and Jiangxi Pengze Ganhe Photovoltaic Co., Ltd.*（江西彭澤贛核光伏有限公司）entered into a procurement contract in relation to the 1.742MW engineering steel brackets for the photovoltaic improvement project phase II of nuclear photovoltaic security power plant in Pengze

(4) On 20 August 2019, Tonking New Energy (Jiangshan) and SPIC Jiangxi Gongqing New Energy Co., Ltd.*（國家電投集團江西共青城新能源有限公司）entered into a construction contract in relation to the reinforcement of pile foundation for SPIC's photovoltaic power station in Jiangyi, Gongqing

(5) On 9 September 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.*（陽光電源股份有限公司）entered into a procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's Guohua Ningdong (Shenhua) 12.1069MW photovoltaic project

(6) On 9 September 2019, Tonking New Energy (Jiangshan) and Jiangshan City Xintangbian Town Enshen Village Stock Economic Cooperative*（江山市新塘邊鎮恩深村股份經濟合作社）entered into a contract in relation to 380KW ground-mounted photovoltaic poverty alleviation power station project in Enshen Village, Xintangbian Town, Jiangshan City

(7) On 11 September 2019, Tonking New Energy (Shanghai) and Zhongjian Zhonghuan Engineering Co., Ltd.*（中建中環工程有限公司）entered into the second supplementary agreement of the procurement contract in relation to the flat single axis tracking system for the 1.2555MW project for the agricultural photovoltaic power station in Yushan, Xiangyang, Hubei

(8) On 12 September 2019, Tonking New Energy (Jiangshan) and Ningxia Baofeng Energy Group Co., Ltd.*（寧夏寶豐能源集團股份有限公司）entered into a contract in relation to the sale and purchase and installation of the 90MW flat single axis tracking system with inclined angle for Baofeng Energy's pilot program for the market-based transaction of distributed power generation in Ningdong

(9) On 10 October 2019, Tonking New Energy (Jiangshan) and Jiangshan City Xintangbian Town Aifeng Village Stock Economic Cooperative*（江山市新塘邊鎮愛豐村股份經濟合作社）entered into a contract in relation to the new 390Kwp ground-mounted photovoltaic poverty alleviation power station procurement project in Aifeng Village, Xintangbian Town, Jiangshan City

(10) On 15 October 2019, Tonking New Energy (Jiangshan) and Jiangshan City Xintangbian Town Maocun Shantou Village Stock Economic Cooperative*（江山市新塘邊鎮毛村山頭村股份經濟合作社）entered into a contract in relation to the new 175.5KWp ground-mounted photovoltaic poverty alleviation power station procurement project in Maocun Shantou Village, Xintangbian Town, Jiangshan City

(11) On 17 October 2019, Tonking New Energy (Jiangshan) and Guangxi Yuchai Nongguang Electric Power Co., Ltd.*（廣西玉柴農光電力有限公司）entered into a procurement contract in relation to the flat uniaxial tracking mounting bracket systems for districts A and B of phase III of Yuchai's agricultural photovoltaic power generation project in Guiping

(12) On 22 October 2019, Tongjing New Energy (Jiangshan) and Qinghai Huangdian Gonghe Photovoltaic Power Generation Co., Ltd. *（青海黃電共和光伏發電有限公司）entered into a sales contract in relation to the flat uniaxial brackets for the 1000MW photovoltaic power station project on Beach Tala, Hainan Prefecture (Bid Section 1) of the power configuration project in the ultra-high-voltage power delivery base in Hainan Prefecture, Qinghai Province

(13) On 24 October 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.*（陽光電源股份有限公司）entered into a procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's Guohua Ningdong (Shenhua) 4.4MW photovoltaic project

(14) On 26 November 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) entered into a procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's photovoltaic project in Xiangyang Village

(15) On 26 November 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) entered into a procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's photovoltaic project in Wulong Village

(16) On 26 November 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) entered into a procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's photovoltaic project in Hongshan Village

(17) On 30 October 2019, Tonking New Energy (Jiangshan) and Jiangshan City Tanshi Town Aotou Village Stock Economic Cooperative* (江山市壇石鎮鰲頭村股份經濟合作社) entered into a non-governmental procurement contract in relation to the 377KWp ground-mounted photovoltaic poverty alleviation power station procurement project at Mount Ruowu in Aotou Village, Tanshi Town

(18) On 27 November 2019, Tonking New Energy (Jiangshan) and Jiangshan City Tangyuankou Town Tangyuan Village Stock Economic Cooperative* (江山市塘源口鄉塘源村股份經濟合作社) entered into a procurement contract in relation to the 97.5KW agricultural photovoltaic power station project in Tangyuan Village, Tangyuankou Town, Jiangshan City

(19) On 13 December 2019, Tonking New Energy (Shanghai) and CPI Power Engineering Co., Ltd.* (中電投電力工程有限公司) entered into a contract in relation to the 100MV project of the leading reward incentive base for photovoltaic power generation in Dalate (contract of the bid section for flat uniaxial brackets)

(20) On 13 December 2019, Tonking New Energy (Shanghai) and CPI Power Engineering Co., Ltd.* (中電投電力工程有限公司) entered into a contract in relation to the 100MV project of the leading reward incentive base for photovoltaic power generation in Dalate (contract of Bid Section A for manually adjustable bracket devices)

(21) On 14 December 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) entered into a supplementary contract of the procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's photovoltaic project in Xiangyang Village

(22) On 14 December 2019, Tonking New Energy (Jiangshan) and Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) entered into a supplementary contract of the procurement contract in relation to the photovoltaic brackets for Sungrow Power Supply's photovoltaic project in Wulong Village

The projects of the Company applied the mounting bracket systems independently developed by the Group. 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 brought 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 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 new energy industry.

FINANCIAL REVIEW

Revenue

For the nine months ended 31 December 2019, the Group recorded an unaudited revenue of approximately HK$213,648,000, representing a decrease of approximately 68% compared with approximately HK$661,720,000 of the corresponding period in 2018. The decrease of revenue was mainly due to the policy of photovoltaic power generation on grid parity which lead to sales orders were significantly decreased and the disposal of restaurant business which was completed on 19 December 2018.

Contract costs

The contract cost for the nine months ended 31 December 2019 was approximately HK$186,281,000 (2018: approximately HK$443,409,000). 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 82% to approximately HK$12,126,000 for the nine months ended 31 December 2019 (for the nine months ended 31 December 2018: approximately HK$66,741,000).

Depreciation and amortisation

Depreciation and amortisation decreased by approximately 71% to approximately HK$3,477,000 for the nine months ended 31 December 2019 (for the nine months ended 31 December 2018: approximately HK$12,076,000). The decrease was mainly due to the Group strengthened the expenses control and internal management and the disposal of restaurant business on 19 December 2018.

Administrative and other operating expenses

Administrative and other operating expenses decreased by approximately 71% to approximately HK$7,449,000 for the nine months ended 31 December 2019 from approximately HK$25,288,000 for the corresponding period in 2018.

Net profit

For the nine months ended 31 December 2019, the Group recorded profit attributable to owners of the Company of approximately HK$12,112,000 (For the nine months ended 31 December 2018: profit of approximately HK$34,860,000).

FUTURE PROSPECTS

1. **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 National Development and Reform Commission, Ministry of Finance, the National Energy Administration 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 governments 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 market-oriented distribution by activating the decisive role of market-oriented resource allocation.

2. **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(發改能源[2019] 19號文件). The notice aims to carry out the construction of 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.

3. **The Notice of the National Energy Administration and the State Council Leading Group Office of Poverty Alleviation and Development on Second Batch of Photovoltaic Poverty Alleviation Projects for the 13th FYP Period (《國家能源局國務院扶貧辦關於下達「十三五」第二批光伏扶貧項目計劃的通知》)**

   The National Energy Administration issued Guo Neng Fa Xin Neng [2019] No. 37(國能發新能[2019] 37號) in April 2019. The notice aims to promote photovoltaic poverty alleviation in a solid and orderly manner by strengthening the construction, operation and maintenance management of power stations. The photovoltaic poverty alleviation projects cover a total of 15 provinces (autonomous regions) and 165 counties and involve a total of 3,961 village-level photovoltaic poverty alleviation power stations (hereinafter referred to as power stations) with a total installed capacity of 1,673,017.43 kilowatts.

4. The Notice of the General Office of the National Energy Administration on Submitting the List of Grid Parity Projects of Wind Power and Photovoltaic Power in 2019 (《國家能源局綜合司關於報送2019年度風電、光伏發電平價上網項目名單的通知》)

The National Energy Administration also issued the Notice of the General Office of the National Energy Administration on Submitting the List of Grid Parity Projects of Wind Power and Photovoltaic Power in 2019 (《國家能源局綜合司關於報送2019年度風電、光伏發電平價上網項目名單的通知》) in April 2019, which aims to promote the construction of subsidy-free grid parity projects of wind power and photovoltaic power, encourage the voluntary transfer of stock projects to grid parity projects, actively promote the market-oriented trading pilot of distributed power generation, and strictly implement the construction conditions of grid parity projects.

5. The Notice of the National Energy Administration on the Issues Related to the Construction of Wind Power and Photovoltaic Power Generation Projects in 2019 (《國家能源局關於2019年風電、光伏發電項目建設有關事項的通知》)

The National Energy Administration issued Guo Neng Fa Xin Neng [2019] No. 49(國能發新能[2019] 49號) in May 2019. The notice aims to actively promote the construction of grid parity projects, strictly regulate the competition allocation of subsidized projects, comprehensively implement the power supply and consumption conditions and optimize the construction of investment and business environment.

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 bracket systems 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 utilise its technical advantages and successful experience to actively establish its presence in overseas markets. The Group's products have also passed UL testing and met relevant international certification standards. Currently, the Group has made cooperation with Lebanon, and is planning to sell its products to Africa, India, Southeast Asia and other countries in the future.

We believe that with 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.

As the national policy of photovoltaic power generation in 2019 aims to actively promote the construction of grid parity projects and strictly regulate the competition allocation of subsidized projects, the management of the Company believes that the new policy will have a great impact on the photovoltaic industry. The Company will make a proactive response to adapt to the development of the new situation.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 31 December 2019, the share capital and equity attributable to owners of the Company amounted to HK$8,180,000 and approximately HK$210,147,000 respectively (as at 31 March 2019: HK$8,180,000 and approximately HK$210,722,000 respectively).

Cash position

As at 31 December 2019, the cash and cash equivalents of the Group amounted to approximately HK$88,855,000 (as at 31 March 2019: approximately HK$78,659,000), representing an increase of approximately 13% as compared to that as at 31 March 2019.

Borrowing

On 9 July 2019 and 23 October 2019, 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 and six-month loan agreements with banks in China, with principal amounts of RMB23,800,000 and RMB33,000,000 respectively, bearing interests at 5.916% and 6.090% per annum. The loans will be due on 8 July 2020 and 21 April 2020 respectively.

Gearing ratio

As at 31 December 2019, the gearing ratio of the Group was approximately 33% (as at 31 March 2019: approximately 40%). 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 2019, 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 2019.

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 2019, 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%

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 2019, 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 2019 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 International Limited ("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, 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 2019, 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 2019.

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 2019.

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 2019 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, 11 February 2020

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.

* *For identification purpose only*