



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)



FIRST QUARTERLY REPORT 2020

* For identification purpose only

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



The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and the subsidiaries (collectively, the “Group”) for the three months ended 30 June 2020, together with the unaudited comparative figures for the respective corresponding periods in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2020

	Notes	Three months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
REVENUE	3	37,298	11,027
Other income	3	2,023	3,378
Contract costs		(30,890)	(11,681)
Staff costs		(1,857)	(2,817)
Depreciation and amortisation		(1,023)	(1,038)
Property rentals and related expenses		-	(194)
Fuel and utility expenses		(15)	(17)
Administrative and other operating expenses		(1,506)	(3,879)
Finance cost		(441)	(1,572)
PROFIT/(LOSS) BEFORE TAX	4	3,589	(6,793)
Income tax expense	5	(843)	(479)
PROFIT/(LOSS) FOR THE PERIOD		2,746	(7,272)
Attributable to:			
Owners of the Company		2,227	(7,838)
Non-controlling interests		519	566
		2,746	(7,272)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	6	0.27	(0.96)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2020

	Three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	2,746	(7,272)
OTHER COMPREHENSIVE EXPENSE		
<i>Other comprehensive expense to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(4,974)	(6,145)
Other comprehensive expense net of tax	(4,974)	(6,145)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(2,228)	(13,417)
Attributable to:		
Owners of the Company	(2,747)	(13,983)
Non-controlling interests	519	566
	(2,228)	(13,417)



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2020

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total Equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 April 2020 (audited)	8,180	71,725	-	9,914	(17,442)	129,260	201,637	20,150	221,787
Profit for the period	-	-	-	-	-	2,227	2,227	519	2,746
Other comprehensive income for the period	-	-	-	-	(4,974)	-	(4,974)	-	(4,974)
Total comprehensive income for the period	-	-	-	-	(4,974)	2,227	(2,747)	519	(2,228)
At 30 June 2020 (unaudited)	8,180	71,725	-	9,914	(22,416)	131,487	198,890	20,669	219,559
At 1 April 2019 (audited)	8,180	71,725	-	8,518	(2,028)	124,327	210,722	19,651	230,373
Loss for the period	-	-	-	-	-	(7,838)	(7,838)	566	(7,272)
Other comprehensive expense for the period	-	-	-	-	(6,145)	-	(6,145)	-	(6,145)
Total comprehensive expense for the period	-	-	-	-	(6,145)	(7,838)	(13,983)	566	(13,417)
At 30 June 2019 (unaudited)	8,180	71,725	-	8,518	(8,173)	116,489	196,739	20,217	216,956

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 30 June 2020

1. GENERAL INFORMATION

Tonking New Energy Group Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 21 June 2013 as an exempted company with limited liability under the Companies law of the Cayman Islands. The shares of the Company have been listed on the GEM of The Stock Exchange with effect from 21 November 2013. The address of its registered office is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is at Room 1302, 13th Floor Chevalier House, 45-51 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong.

During the three months ended 30 June 2020, the Group is principally engaged in 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 three months ended 30 June 2020 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 30 June 2020 are consistent with those adopted in the Group’s annual financial statements for the year ended 31 March 2020, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the “New and Revised HKFRSS”) (which include all HKFRSSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA that have become effective for accounting period beginning on 1 April 2020. The unaudited condensed consolidated financial statements for the three months ended 30 June 2020 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 16 July 2020.



The adoption of the New and Revised HKFRSs has had no significant effect on these unaudited condensed consolidated financial statements for the three months ended 30 June 2020 and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated financial statements for the three months ended 30 June 2020.

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

The unaudited condensed consolidated financial statements for the three months ended 30 June 2020 have been prepared under the historical cost convention.

3. REVENUE AND OTHER INCOME

	Three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue		
Construction contracts	37,298	11,027
	37,298	11,027
Other income		
Interest income	107	28
Others	1,916	3,350
	2,023	3,378

4. PROFIT/LOSS BEFORE TAX

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

	Three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Amortisation of intangible assets	225	365
Depreciation	653	673
Contract costs:		
Cost of construction material and supplies	29,045	9,061
Subcontracting charges and labour costs	1,337	2,029
Transportation	70	367
Machine and vehicle rental	189	68
Other expenses	249	156
	30,890	11,681
Employee benefits expenses (excluding directors' and chief executive's remuneration):		
Salaries, wages and other benefits	1,565	2,203
Retirement benefits scheme contributions	7	154
	1,572	2,357
Exchange differences, net	6	(7)



5. INCOME TAX EXPENSE

	Three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax – Hong Kong – charge for the period	–	–
Current tax – PRC	843	479
	843	479

Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the three months ended 30 June 2020 and 2019.

PRC

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

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

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

For the three months ended 30 June 2020, the calculation of the basic earnings per share attributable to owners of the Company was based on (i) the unaudited condensed consolidated earnings attributable to owners of the Company of approximately HK\$2,227,000 and (ii) the weighted average number of ordinary shares 818,000,000 in issue.

For the three months ended 30 June 2019, the calculation of the basic loss per share attributable to owners of the Company was based on (i) the unaudited condensed consolidated loss attributable to owners of the Company of approximately HK\$7,838,000 and (ii) the restated weighted average number of ordinary shares 818,000,000 in issue.

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 months ended 30 June 2020 and 2019.

7. DIVIDENDS

No dividend has been paid or declared by the Company for the three months ended 30 June 2020 and 2019.

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 of 30 June 2020, 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 holding 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\$37,298,000 (2019 corresponding period: HK\$11,027,000), 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 the Group was 126.2MW.

During the reporting period,

(I) Signing of new contracts

- (1) On 1 April 2020, Tonking New Energy (Jiangshan) and Jiangshan City Changtai Town Huayuan Village Stock Economic Cooperative* (江山市長台鎮花園村股份經濟合作社) entered into a non-governmental procurement contract in relation to the 359.125KW ground-mounted photovoltaic poverty alleviation procurement project in Huayuan Village, Changtai Town
- (2) On 15 April 2020, 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 procurement project of 40MW photovoltaic brackets of grid-connected power generation for Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) and Jiuquan Huiyang New Energy Power Generation Co., Ltd.* (酒泉輝陽新能源發電有限公司) on Dongdong Beach, Suzhou District
- (3) On 20 April 2020, 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 of tracking mounting bracket systems for Sungrow Power Supply

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- (4) On 26 April 2020, Tonking New Energy (Jiangshan) and Guangxi Construction Engineering Group No.2 Installation Construction Co., Ltd.* (廣西建工集團第二安裝建設有限公司) entered into a purchase and sale contract in relation to the 50MW mounting bracket for the Chongzuo project
- (5) On 25 May 2020, Tonking New Energy (Jiangshan) and Guangxi Construction Engineering Group No.2 Installation Construction Co., Ltd.* (廣西建工集團第二安裝建設有限公司) entered into a purchase and sale contract in relation to the 10MW mounting brackets for the Jiangong Longzhou project
- (6) On 1 June 2020, Tonking New Energy (Jiangshan) and Changshan Changfeng Hydropower Branch of Zhejiang Hengchang Industrial Group Co. Ltd.* (浙江恆昌實業集團有限公司常山長風水電分公司) entered into a contract in relation to the Hengchang rooftop photovoltaic project
- (7) On 3 June 2020, Tonking New Energy (Jiangshan) and Guangxi Construction Engineering Group No.2 Installation Construction Co., Ltd.* (廣西建工集團第二安裝建設有限公司) entered into a purchase and sale contract in relation to the 30MW mounting brackets for the Chongzuo project
- (8) On 5 June 2020, Tonking New Energy (Jiangshan) and Beijing Guodian Futong Science and Technology Development Co., Ltd.* (北京國電富通科技發展有限責任公司) entered into a procurement contract in relation to photovoltaic brackets for the Nanrui Chabei project
- (9) On 17 June 2020, Tonking New Energy (Jiangshan) and Beijing Guodian Futong Science and Technology Development Co., Ltd.* (北京國電富通科技發展有限責任公司) entered into a supplementary procurement contract in relation to photovoltaic brackets for the Nanrui Chabei project

Based on the accumulated advantages of providing one-stop solutions (EPC, maintenance support and operation) for photovoltaic power plants, combined with big data analysis technology, AI control technology, wireless communication technology, the Group is committed to building a digital and intelligent photovoltaic tracking control platform, which enables to achieve cost-efficiency and power generation enhancement, while achieving intelligent and unmanned management of photovoltaic power plants, so as to improve the competitiveness of the Company's products.

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The Group is committed to promoting the healthy development of the industry, with the development direction of improving product performance, reducing the cost of electricity, and advancing grid parity. With the rapid development of the industry and the advent of the parity era, the photovoltaic field has entered a stage of development that emphasizes safety and stability. At the same time, as scarcity of land resources being intensified, the efficient utilization of land resources has also become the direction of the industrial development.

In order to stabilise the Group's market share in bracket products and maintain the market competitiveness of the products, the Group has concentrated its strengths to fully upgrade the technology for its existing bracket products. Taking safety and stability as the breakthrough point, it has developed a multi-point linkage bracket system. Based on the original technology, the system has been technically upgraded for the core transmission system, which has adopted a torque transmission system that can adapt to the complex environment and terrain instead of the original push rod transmission system. And it has carried out a modular design for the entire bracket system, with each module designed with a stable self-locking mechanism, which has further upgraded the safety performance of the bracket products.

In order to improve the utilization rate of land resources, the Group has sorted out and integrated the various technical points of the bracket system through technical means such as wind tunnel tests, software simulations and theoretical calculations, and analyzed various forms of brackets in the industry. After in-depth analysis and comparison of original needs, a herringbone bracket system with high land utilization has been developed. The bracket products have broken the inherent design thinking and used structural advantages, which have not only greatly reduced the impact of external loads on the brackets, but also enabled comprehensive design based on the project's geography, climate and other factors to meet the project needs to the greatest extent.

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, which 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.

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FINANCIAL REVIEW

Revenue

For the three months ended 30 June 2020, the Group recorded revenue of approximately HK\$37,298,000 (2019: approximately HK\$11,027,000), representing an increase of approximately 238% compared with the three months ended 30 June 2019.

Contract Costs

The contract costs for the three months ended 30 June 2020 was approximately HK\$30,890,000 (2019: HK\$11,681,000). The costs were derived from the renewable energy business which was mainly attributable to the cost of construction materials and supplies, subcontracting charges and labour costs, transportation, machine and vehicle rental and other expenses.

Staff costs

The staff costs decreased by approximately 34% to approximately HK\$1,857,000 for the three months ended 30 June 2020 (2019: approximately HK\$2,817,000).

Depreciation and amortisation

Depreciation and amortisation decreased by approximately 1% to approximately HK\$1,023,000 for the three months ended 30 June 2020 (2019: approximately HK\$1,038,000).

Administrative and other operating expenses

Administrative and other operating expenses decreased by approximately 61% to approximately HK\$1,506,000 for the three months ended 30 June 2020 from approximately HK\$3,879,000 for the corresponding period in 2019.

Finance costs

Finance costs amounted to approximately HK\$441,000 for the three months ended 30 June 2020 (2019: HK\$1,572,000).

Net profit/loss for the period

The Group recorded profit attributable to owners of the Company of approximately HK\$2,227,000 (2019: loss of approximately HK\$7,838,000).

FUTURE PROSPECTS

1. **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.

2. **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 and strengthen 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.

3. **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.



4. 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 competitive allocation of subsidized projects, comprehensively implement the power supply and consumption conditions and optimize the construction of investment and business environment.

5. The Notice of the National Energy Administration on the Issues Related to the Construction of Wind Power and Photovoltaic Power Generation Projects in 2020 (《國家能源局關於2020年風電、光伏發電項目建設有關事項的通知》)

In January 2020, the Notice of the National Energy Administration on the Issues Related to the Construction of Wind Power and Photovoltaic Power Generation Projects in 2020 (consultative draft) (《國家能源局關於2020年風電、光伏發電項目建設有關事項的通知》(徵求意見稿)) specifies the total budget amount for subsidizing new photovoltaic power generation projects in 2020 shall be RMB1.5 billion. Among which, RMB500 million will be used for civilian photovoltaic projects, while bidding projects, including centralized photovoltaic power stations and industrial and commercial distributed photovoltaic projects, will be constructed based on total subsidy amounting to RMB1 billion.

6. The Notice on the Issues Related to the Construction of Photovoltaic Power Generation Projects in 2020 (《2020年光伏發電項目建設有關事項的通知》)

In March 2020, the National Energy Administration officially announced the Notice on the Issues Related to the Construction of Photovoltaic Power Generation Projects in 2020 (《2020年光伏發電項目建設有關事項的通知》). According to the Notice, the construction of the subsidized bidding projects (including centralized photovoltaic power plant and industrial and commercial distributed photovoltaic projects) will be performed according to the total subsidies of RMB1 billion. The overall idea, project management, and competitive allocation methods of competitive allocation work are still implemented according to the competitive allocation work plan of the 2019 photovoltaic power generation projects.

7. Guidelines on Energy Work in 2020 (《2020年能源工作指導意見》)

In June 2020, the National Energy Administration issued the notice of Guidelines on Energy Work in 2020 (《2020年能源工作指導意見》)

The notice specifies that in 2020, trial continuous settlement of electricity spot market shall be pushed forward, and the official operation shall be run in those areas where conditions are met. The reform of separation of principal and auxiliary businesses of power enterprises shall be further advanced. The problems of key technical equipment for energy sector shall be tackled in an appropriate and orderly manner and therefore promoting the technological progress and industrial development in storage and hydrogen energy.

The notice proposes to develop the clean energy industry and facilitate the transformation of energy structure; continuously develop non-fossil energy; implement the Notice on the Issues Related to the Construction of Wind Power and Photovoltaic Power Generation Projects in 2020 (《關於2020年風電、光伏項目建設有關事項的通知》) to maintain the scale and development pace of wind power and photovoltaic power in a reasonable manner; orderly facilitate the construction of centralized wind power, photovoltaic power and offshore wind power and expedite the development of distributed photovoltaic power and distributed wind power in Central China, Eastern China and Southern China; actively promote grid parity of wind power and photovoltaic power; develop hydropower in a proactive but prudent manner and launch hydropower planning adjustment on the Ya-lung River, the upstream of the Yellow River, the Wujiang River and the Hongshui River to speed up the construction of leading reservoirs; develop nuclear power safely and steadily advance project construction and comprehensive utilization of nuclear energy, etc.

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 and 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 mounting bracket 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 own technical advantages and successful experience to actively deploy overseas market and at the same time, its products have passed UL testing and 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 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.

As the national policy of photovoltaic power generation in 2020 aims to actively promote the construction of grid parity projects and strictly regulate the competitive 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 30 June 2020, the share capital and equity attributable to owners of the Company amounted to HK\$8,180,000 and approximately HK\$198,890,000 respectively (2019: HK\$8,180,000 and approximately HK\$196,739,000 respectively).

Cash position

As at 30 June 2020, the cash and cash equivalents of the Group amounted to approximately HK\$77,658,000 (2019: approximately HK\$45,773,000), representing increase of approximately 70% as compared to that as at 30 June 2019.

Borrowing

As at 30 June 2020, borrowing of the Group amounted to approximately HK\$26,056,000 (2019: HK\$115,156,000).

During the period, the Group has borrowed a short-term bank loan amounted to approximately HK\$26,056,000 which bear interest rate of 5.916% per annum.

Gearing ratio

As at 30 June 2020, the gearing ratio of the Group was approximately 14% (2019: approximately 37%). The gearing ratio is calculated based on the total debt at the end of the period divided by the total debt plus total equity at the end of the respective period. Total debt represents all liabilities excluding trade payables, bills payable, other payables and accruals, receive in advance, tax payable and provision for reinstatement costs.

CORPORATE GOVERNANCE CODE

During the three months ended 30 June 2020, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the “Code”) contained in Appendix 15 to the GEM Listing Rules, except for the deviation from code provision A.2.1 as described below.

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

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

COMPETING BUSINESS

For the three months ended 30 June 2020, none of the Directors, the controlling shareholders or the substantial shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the three months ended 30 June 2020.



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

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares (the “Shares”), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

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

Note:

These 231,454,000 Shares are totally held by Rise Triumph Limited and Signkey Group Limited, of which 224,380,000 shares are held by Rise Triumph Limited and 7,074,000 shares are held by Signkey Group Limited. Mr. Wu Jian Nong, Mr Xu Shui Sheng and Ms. Shen Meng Hong beneficially owns 96%, 3% and 1% of the issued share capital of Rise Triumph Limited respectively. Mr Xu Shui Sheng and Ms. Shen Meng Hong are therefore deemed to held 6,731,400 Shares (being 0.82%) and 2,243,800 Shares (being 0.27%) of the Shares of the Company respectively. Mr. Wu Jian Nong, Mr Xu Shui Sheng and Ms. Shen Meng Hong beneficially owns 85%, 3% and 1% of the issued share capital of Signkey Group Limited respectively. Mr. Wu Jian Nong is deemed, or taken to be, interested in all the Shares held by Rise Triumph Limited and Signkey Group Limited respectively for the purpose of the SFO.

Save as disclosed above and so far as is known to the Directors, as at 30 June 2020, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 June 2020 and so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of Shareholders	Nature of Interest	Number of Shares interested	Approximate percentage of shareholding
Rise Triumph Limited (Note 1)	Beneficial owner	224,380,000	27.43%
Victory Stand (Note 2)	Beneficial owner	206,000,000	25.18%

Note:

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

Save as disclosed above, as at 30 June 2020, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

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

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

There is no option outstanding, granted, cancelled and lapsed during the three months ended 30 June 2020.



MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors for the three months ended 30 June 2020.

AUDIT COMMITTEE

The Company has established an audit committee with its terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the Code. The primary duties of the audit committee are (i) to review the financial systems of the Group; (ii) to review the accounting policy, financial position and financial reporting procedures of the Group; (iii) to communicate with external auditors; (iv) to assess the performance of internal financial and audit personnel; and (v) to assess the internal controls of the Group. The audit committee has reviewed the unaudited condensed consolidated financial statements and the results of the Group for the three months ended 30 June 2020 and this report, and considered that the results and this report have been prepared in accordance with the applicable accounting standards and requirements.

By Order of the Board
Tonking New Energy Group Holdings Limited
Mr. Wu Jian Nong

Executive Director, Chairman of the Board and Chief Executive Officer

Hong Kong, 12 August 2020

As at the date of this report, the executive Directors are Mr. Wu Jian Nong, Ms. Shen Meng Hong and Mr. Xu Shui Sheng; and the independent non-executive Directors are Mr. Yuan Jiangang, Ms. Wang Xiaoxiong and Mr. Zhou Yuan.