



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)



THIRD 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 and nine months ended 31 December 2020 (hereinafter the nine months ended 31 December 2020 are referred to as the “Reporting Period”), 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 and nine months ended 31 December 2020

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2020	2019	2020	2019
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
REVENUE	3	84,993	194,292	148,483	213,648
Other income	3	2,620	9,557	6,412	16,086
Contract costs	4	(76,357)	(162,892)	(137,121)	(186,281)
Staff costs		(4,684)	(6,913)	(8,277)	(12,126)
Depreciation and amortisation		(940)	(1,096)	(2,886)	(3,477)
Fuel and utility expenses		-	(6)	(29)	(47)
Administrative and other operating expenses		(3,313)	(1,784)	(9,544)	(7,449)
Finance costs		(749)	(1,365)	(1,884)	(4,351)
PROFIT/(LOSS) BEFORE TAX	4	1,570	29,793	(4,846)	16,003
Income tax	5	(24)	(1,576)	155	(2,370)
PROFIT/(LOSS) FOR THE PERIODS		1,546	28,217	(4,691)	13,633
Attributable to:					
Owners of the Company		1,458	27,793	(5,743)	12,112
Non-controlling interests		88	424	1,052	1,521
Profit/(Loss) for the periods		1,546	28,217	(4,691)	13,633

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

For the three and nine months ended 31 December 2020

Notes	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	0.18	3.40	(0.7)	1.48
OTHER COMPREHENSIVE INCOME/(EXPENSE)				
<i>Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	12,151	(806)	25,128	(13,111)
Other comprehensive income/(expense), net of tax	12,151	(806)	25,128	(13,111)
TOTAL COMPREHENSIVE INCOME FOR THE PERIODS	13,697	27,411	20,437	522
Attributable to:				
Owners of the Company	13,609	27,411	19,385	(575)
Non-controlling interests	88	-	1,052	1,097
	13,697	27,411	20,437	522



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the nine months ended 31 December 2020*

	Attributable to owners of the Company							Total equity HK\$'000
	Issued capital HK\$'000	Share premium 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 2020 (audited)	8,180	71,725	9,914	(17,442)	129,260	201,637	20,150	221,787
Loss for the period	-	-	-	-	(5,743)	(5,743)	1,052	(4,691)
Other comprehensive income for the period	-	-	243	24,885	-	25,128	-	25,128
Total comprehensive income for the period	-	-	243	24,885	(5,743)	19,385	1,052	20,437
At 31 December 2020 (unaudited)	8,180	71,725	10,157	7,443	123,517	221,022	21,202	242,224
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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2020

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 Windward 3, Regatta Office Park, P.O. Box 1350, 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.

The Group’s principal activity during the nine months ended 31 December 2020 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 2020 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 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 HKFRSs, 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 nine months ended 31 December 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 unaudited condensed consolidated financial statements for the nine months ended 31 December 2020 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue				
Construction contracts	84,993	194,292	148,483	213,648
	84,993	194,292	148,483	213,648
Other income				
Interest income	–	49	21	557
Electricity income	1,272	1,515	5,141	6,290
Subsidy income	–	6,806	–	6,806
Others	1,348	1,187	1,250	2,433
	2,620	9,557	6,412	16,086



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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Depreciation	610	657	1,839	1,976
Amortisation of intangible assets	240	816	696	1,501
Amortisation of right-of-use assets	90	187	351	564
Contract costs:				
Cost of construction material and supplies	71,672	139,942	124,900	154,332
Subcontracting charges and labour cost	3,779	18,038	10,232	21,680
Transportation	394	379	587	780
Machine and vehicle rental	444	2,330	1,040	2,407
Other expenses	68	2,203	362	7,082
	76,357	162,892	137,121	186,281
Employee benefits expenses (excluding directors' and chief executive's remuneration):				
Salaries, wages and other benefits	3,991	4,670	6,660	7,835
Retirement benefits scheme contributions	890	1,110	935	1,529
	4,881	5,780	7,595	9,364
Exchange differences, net	14	5	33	(12)

5. INCOME TAX

	Three months ended 31 December		Nine months ended 31 December	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax - Hong Kong	-	-	-	-
Current tax - PRC	24	1,576	(155)	2,370
	24	1,576	(155)	2,370

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 2020 and 2019.

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

(a) **Basic earning/loss per share**

The calculation of the basic earning/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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
The Group's profit/(loss) for the periods attributable to owners of the Company	1,458	27,793	(5,743)	12,112
Number of shares Weighted average number of shares	818,000	818,000	818,000	818,000

(b) The diluted earning/loss per share is equal to the basic earning/loss per share as there were no dilutive potential ordinary shares in issue during the three and nine months ended 31 December 2020 and 2019.

7. DIVIDENDS

No dividends have been paid or declared by the Company during the nine months ended 31 December 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 31 December 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\$148,483,000 (corresponding period in 2019: HK\$213,648,000), 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 487MW.

During the reporting period,

(I) Signing of new contracts

- (1) In 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) In 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) In 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
- (4) In 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) In 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) In June 2020, Tonking New Energy (Jiangshan) and Changshan Changfeng Hydropower Branch of Zhejiang Hengchang Industrial Group Co. Ltd.* (浙江恒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) In 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) In 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) In 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
- (10) In August 2020, Tonking New Energy (Shanghai) and Beijing Changyuan Electric Engineering Co., Ltd.* (北京昶源電力工程有限公司) entered into a sale contract in relation to the 100MW flat uniaxial tracking mounting brackets of Phase I Project and the 100MW flat uniaxial tracking mounting brackets of Phase II Project in Kangbao Ranch Regeneration and Renewable energy Demonstration Base
- (11) In August 2020, 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 in relation to Jiuquan mounting bracket photovoltaic project
- (12) In August 2020, Tonking New Energy (Jiangshan) and Ningxia Baofeng Energy Group Limited* (寧夏寶豐能源集團股份有限公司) entered into the general contract in relation to engineering design, purchase and installment of the 60MWP photovoltaic mounting bracket in solar energy electrolysis water hydrogen energy storage demonstration project
- (13) In September 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 photovoltaic brackets for the Dali Chiguang New Energy W 100MW photovoltaic power generation project of Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司)



- (14) In September 2020, Tonking New Energy (Jiangshan) and Xi'an Longji Clean Energy Company Limited* (西安隆基清潔能源有限公司) entered into a sale and purchase contract in relation to the flat uniaxial tracking mounting brackets power station products of Lot 2020-3# in Hainan Prefecture, Longji
- (15) In September 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 photovoltaic brackets for Wutumeiren 200MW bidding project of Three Gorges Renewables Geermu Green Energy Power Generation Company Limited* (三峽新能源格爾木綠能新能源發電有限公司) in Haixi Prefecture of Sungrow Power Supply
- (16) In September 2020, Tonking New Energy (Jiangshan) and 株式会社コスモスエナジー entered into a contract in relation to the 298.62kW flat single axis brackets system project of the 1.50MW photovoltaic project in Igadani, Hyogo Prefecture, Japan
- (17) In September 2020, Tonking New Energy (Jiangshan) and Jiangshan City Tanshi Town Shangwang Village Stock Economic Cooperative* (江山市壇石鎮上王村股份經濟合作社) entered into a non-government procurement contract in relation to the 352KWP ground decentralized photovoltaic poverty alleviation project in Shangwang Village, Tanshi Town, Jiangshan City
- (18) In October 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 photovoltaic brackets for the 4.1552MW photovoltaic project phase II in Tushan Town, Laizhou City
- (19) In November 2020, Tonking New Energy (Jiangshan) and Nanjing NARI Solar Energy Technology Co., Ltd* (南京南瑞太陽能科技有限公司) entered into a procurement contract in relation to rooftop photovoltaic brackets for the Nanrui Chabei project
- (20) In December 2020, Tonking New Energy (Jiangshan) and Xi'an Longji Clean Energy Company Limited* (西安隆基清潔能源有限公司) entered into a sale and purchase contract in relation to the power station products
- (21) In December 2020, Tonking New Energy (Jiangshan) and China Energy Construction Group Shanxi Electric Power Construction No. 3 Co., Ltd. * (中國能源建設集團山西電力建設第三有限公司) entered into a subcontract in relation to the construction and installation of the elevating and renovating buildings for the 50MW photovoltaic power station in Zhoushang Village, Wanger Town, Yanshan County
- (22) In December 2020, Tonking New Energy (Jiangshan) and Guangxi Jiagong Huaying Industry Co., Ltd* (廣西建工華盈實業有限公司) entered into a purchase and sale contract in relation to the 42MW floating bracket system

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

The Group is committed to promoting the healthy development of the industry, marching towards 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 era of parity, the photovoltaic field has entered a stage of development that emphasises safety and stability. At the same time, as land resources are increasingly scarce, the efficient use of land resources has also become the development direction of the industry.

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 points, it has developed a multi-point linkage bracket system. Such system, based on the original technology, has technically upgraded the core transmission system through adopting 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 utilisation rate of land resources, the Group has sorted out and integrated various technical points of the bracket system through technical means such as wind tunnel tests, software simulations and theoretical calculations, and analysed various forms of brackets in the industry. After in-depth analysis and comparison of original needs, the Group has developed a herringbone bracket system with high land utilization. Such bracket product has broken the inherent design thinking and used structural advantages, which has 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 is 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 has 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 2020, the Group recorded an unaudited revenue of approximately HK\$148,483,000, representing a decrease of approximately 31% compared with approximately HK\$213,648,000 of the corresponding period in 2019. The decrease of revenue was mainly attributed to the delay of some of the Company's signed or awarded projects due to the impact of rising market prices of raw materials, which would not be delivered by the end of 2020.

Contract costs

The contract cost for the nine months ended 31 December 2020 was approximately HK\$137,121,000 (2019: approximately HK\$186,281,000). 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 32% to approximately HK\$8,277,000 for the nine months ended 31 December 2020 (for the nine months ended 31 December 2019: approximately HK\$12,126,000).

Depreciation and amortisation

Depreciation and amortisation decreased by approximately 17% to approximately HK\$2,886,000 for the nine months ended 31 December 2020 (for the nine months ended 31 December 2019: approximately HK\$3,477,000).

Administrative and other operating expenses

Administrative and other operating expenses increased by approximately 28% to approximately HK\$9,544,000 for the nine months ended 31 December 2020 from approximately HK\$7,449,000 for the corresponding period in 2019.

Net profit

For the nine months ended 31 December 2020, the Group recorded loss attributable to owners of the Company of approximately HK\$5,743,000 (For the nine months ended 31 December 2019: profit of approximately HK\$12,112,000).

* For identification purpose only

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 the Notice 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.

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 the Notice 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.

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 the subsidized 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 stations 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.

8. Energy in China's New Era (《新時代的中國能源發展》)

The White Paper on Energy in China's New Era (《新時代的中國能源發展》) was released by the State Council Information Office of the People's Republic of China in December 2020, which comprehensively states the major policies and measures of China's energy security development strategies in new era and new stage, for the purpose of delivering the comprehensive understanding of China's energy policies and its development status to the parties at home and abroad.

The White Paper summaries: firstly, the development strategies and the guiding philosophies of policies for China's energy in new era; secondly, the historic achievements in China's energy development in new era; thirdly, the major measures to build a clean, low-carbon, safe and efficient energy system; fourthly, the achievements achieved by measures on promoting poverty alleviation and enhancing energy supply for people's livelihood; fifthly, the new model of international energy cooperation.



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 conducted 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 technological advantages of the Group’s photovoltaic tracking system 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 promote the construction of grid parity projects and strictly regulate the competitive allocation of subsidized projects as well as the release of the White Paper on Energy in China’s New Era (《新時代的中國能源發展》), the management of the Company believes that those 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 2020, the share capital and equity attributable to owners of the Company amounted to HK\$8,180,000 and approximately HK\$221,022,000 respectively (as at 31 March 2020: HK\$8,180,000 and approximately HK\$201,637,000 respectively).

Cash position

As at 31 December 2020, the cash and cash equivalents of the Group amounted to approximately HK\$39,703,000 (as at 31 March 2020: approximately HK\$118,214,000), representing a decrease of approximately 66% as compared to that as at 31 March 2020.

Borrowing

On 2 July 2020, 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 a bank in China, with principal amounts of RMB23,800,000 bearing interest at 5.5% per annum. The loan will be due on 1 July 2021.

Gearing ratio

As at 31 December 2020, the gearing ratio of the Group was approximately 14% (as at 31 March 2020: approximately 25%). 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 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 nine months ended 31 December 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 31 December 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 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 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 31 December 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:

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 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 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 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 nine months ended 31 December 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 nine months ended 31 December 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
Wu Jian Nong
Chairman

Hong Kong, 4 February 2021

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, Mr. Zhou Yuan and Ms. Wang Xiaoxiong.