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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, 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 announcement 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 announcement misleading.

* For identification purpose only

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 six months ended 30 September 2018, together with the unaudited comparative figures for the respective corresponding periods in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2018

		Three months ended 30 September		Six months ended 30 September	
		2018	2017	2018	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
REVENUE	<i>4</i>	228,550	205,498	452,296	559,217
Other income	<i>4</i>	487	1,418	1,663	1,529
Cost of food and beverage	<i>5</i>	(15,076)	(16,172)	(29,731)	(32,227)
Contract costs	<i>5</i>	(154,244)	(125,451)	(301,376)	(381,405)
Staff costs		(20,528)	(21,892)	(41,717)	(46,221)
Depreciation and amortisation		(3,252)	(3,718)	(7,177)	(7,131)
Property rentals and related expenses		(12,092)	(15,448)	(24,686)	(29,032)
Fuel and utility expenses		(1,143)	(1,273)	(2,283)	(2,541)
Administrative and other operating expenses		(9,397)	(6,466)	(23,875)	(28,968)
Finance costs		(74)	(684)	(1,286)	(1,151)
PROFIT BEFORE TAX	<i>5</i>	13,231	15,812	21,828	32,070
Income tax expense	<i>6</i>	(3,938)	(5,715)	(7,495)	(8,261)
PROFIT FOR THE PERIOD		9,293	10,097	14,333	23,809
Attributable to:					
Owners of the Company		8,958	9,803	13,927	23,605
Non-controlling interests		335	294	406	204
		9,293	10,097	14,333	23,809

		Three months ended 30 September		Six months ended 30 September	
		2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited) (Restated)	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited) (Restated)
	<i>Notes</i>				
EARNINGS PER SHARE					
ATTRIBUTABLE TO ORDINARY					
EQUITY HOLDERS OF					
THE COMPANY					
– Basic and diluted (HK cents)	7	<u>1.10</u>	<u>1.20</u>	<u>1.70</u>	<u>2.89</u>
PROFIT FOR THE PERIOD		9,293	10,097	14,333	23,809
OTHER COMPREHENSIVE					
EXPENSES					
<i>Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations		<u>(10,449)</u>	<u>4,205</u>	<u>(25,116)</u>	<u>8,006</u>
Other comprehensive (expense)/income, net of tax		<u>(10,449)</u>	<u>4,205</u>	<u>(25,116)</u>	<u>8,006</u>
TOTAL COMPREHENSIVE					
(EXPENSE)/INCOME FOR					
THE PERIOD		<u>(1,156)</u>	<u>14,302</u>	<u>(10,783)</u>	<u>31,815</u>
Attributable to:					
Owners of the Company		451	14,008	(7,072)	31,723
Non-controlling interests		<u>(1,607)</u>	<u>294</u>	<u>(3,711)</u>	<u>92</u>
		<u>(1,156)</u>	<u>14,302</u>	<u>(10,783)</u>	<u>31,815</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

		30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		73,665	80,943
Intangible assets		9,297	10,845
Lease prepayments		–	146
Non-current rental deposits		14,585	14,108
Total non-current assets		97,547	106,042
CURRENT ASSETS			
Inventories		75,286	37,849
Trade and bills receivables	<i>9</i>	358,674	419,067
Prepayments, deposits and other receivables		41,482	60,641
Due from a director		60	747
Due from related parties		3,026	6,620
Due from non-controlling shareholders		41	41
Lease prepayments		–	3
Tax recoverable		1,042	1,050
Cash and cash equivalents		39,446	69,831
Total current assets		519,057	595,849
CURRENT LIABILITIES			
Trade and bills payables	<i>10</i>	163,934	164,820
Other payables and accruals, receive in advance		71,283	54,348
Due to related parties		56,471	145,344
Due to non-controlling shareholders		1,000	1,000
Promissory note		39,622	38,900
Provision for reinstatement costs		1,403	1,094
Bank borrowings	<i>11</i>	58,523	62,399
Tax payable		5,490	3,787
Total current liabilities		397,726	471,692

		30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
	<i>Notes</i>		
NET CURRENT ASSETS		121,331	124,157
TOTAL ASSETS LESS CURRENT LIABILITIES		218,878	230,199
NON-CURRENT LIABILITY			
Provision for reinstatement costs		6,180	6,718
Total non-current liability		6,180	6,718
Net assets		212,698	223,481
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	8,180	8,180
Reserves		181,914	188,986
		190,094	197,166
Non-controlling interests		22,604	26,315
Total equity		212,698	223,481

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Issued capital	Share premium	Other reserves	Statutory reserves	Exchange fluctuation reserves	Retained profits		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018 (audited)	8,180	71,725	51,567	7,574	12,884	45,236	197,166	223,481
Profit for the period	–	–	–	–	–	13,927	13,927	14,333
Other comprehensive expense for the period	–	–	–	–	(20,999)	–	(20,999)	(25,116)
Total comprehensive (expense)/ income for the period	–	–	–	–	(20,999)	13,927	(7,072)	(10,783)
At 30 September 2018 (unaudited)	<u>8,180</u>	<u>71,725</u>	<u>51,567</u>	<u>7,574</u>	<u>(8,115)</u>	<u>59,163</u>	<u>190,094</u>	<u>212,698</u>
At 1 April 2017 (audited)	4,090	75,815	51,567	6,634	(7,461)	21,432	152,077	156,386
Profit for the period	–	–	–	–	–	23,605	23,605	23,809
Other comprehensive income/ (expense) for the period	–	–	–	–	8,118	–	8,118	8,006
Total comprehensive income for the period	–	–	–	–	8,118	23,605	31,723	31,815
Partial disposal of a subsidiary	–	–	–	(46)	–	–	(46)	23,712
At 30 September 2017 (unaudited)	<u>4,090</u>	<u>75,815</u>	<u>51,567</u>	<u>6,588</u>	<u>657</u>	<u>45,037</u>	<u>183,754</u>	<u>211,913</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Notes</i>	(Unaudited)	(Unaudited)
Net cash (used in)/from operating activities	(21,766)	35,907
Net cash used in investing activities	(5,871)	(26,244)
Net cash (used in)/from financing activities	(2,748)	24,477
Net (decrease)/increase in cash and cash equivalents	(30,385)	34,140
Cash and cash equivalents at beginning of the period	69,831	106,740
Cash and cash equivalents at end of the period	39,446	140,880
Analysis of balance of cash and cash equivalents		
Cash and bank balances	39,446	140,880

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL INFORMATION

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

The Group's principal activity during the six months ended 30 September 2018 was the operation and management of restaurants and cake shops in Hong Kong and renewable energy business in the People's Republic of China (the "PRC").

On 29 September 2017, the Company has conditionally agreed to sell the entire issued share capital of Glory Kind Development Limited, its wholly-owned subsidiary principally engaged in the operation and management of restaurants and cake shops in Hong Kong. As at the date of this announcement, the disposal has not been completed.

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

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 30 September 2018 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 six months ended 30 September 2018 are consistent with those adopted in the Group's annual financial statements for the year ended 31 March 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (the "New and Revised HKFRSs") (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA that have become effective for accounting period beginning on 1 April 2018. The unaudited condensed consolidated financial statements for the six months ended 30 September 2018 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited financial statements included in the annual report of the Company dated 20 June 2018.

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

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

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

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments for the period ended 30 September 2018 as follows:

- (a) Renewable energy business segment is principally engaged in (i) provision of a one-stop value added solution for photovoltaic power stations (EPC, maintenance and support, and operation) and (ii) sales of the patented photovoltaic tracking mounting bracket systems.
- (b) Restaurant operations segment is operation and management of various restaurants and cake shops in Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that finance costs, loss on disposal of subsidiaries as well as corporate and other unallocated expenses such as directors' remuneration and corporate administrative expenses are excluded from such measurement.

Segment assets exclude corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude promissory note and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Period ended 30 September 2018	Renewable energy business <i>HK\$'000</i> (Unaudited)	Restaurant operations <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue for six months:			
Sales to external customers	349,680	102,616	452,296
Segment result for six months:	29,612	(4,570)	25,042
<i>Reconciliation:</i>			
Corporate and other unallocated expenses			(3,214)
Profit before tax			21,828
Segment assets	536,832	75,371	612,203
<i>Reconciliation:</i>			
Corporate and other unallocated assets			4,401
Total assets			616,604
Segment liabilities	298,109	62,195	360,304
<i>Reconciliation:</i>			
Promissory note			39,622
Corporate and other unallocated liabilities			3,980
Total liabilities			403,906
Other segment information for six months:			
Interest income	430	—	430
Depreciation and amortisation	1,441	5,719	7,160
Unallocated:			
Interest income			—
Depreciation			17

Geographic Information

Revenue from external customers

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	102,616	112,767
Mainland China	349,680	446,450
	452,296	559,217

Information about major customers

Details of the customers in the renewable energy business segment attributed over 10% of total revenue of the Group during the periods are as follows:

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer 1	83,110	100,776
Customer 2	72,067	66,550
Customer 3	46,820	59,659

For the periods ended 30 September 2018 and 2017, there was no revenue from a single customer contributing over 10% of total revenue of the Group by the restaurant operations segment.

Details of interest income, depreciation and amortisation in relation to the operating segment are disclosed in notes 4 and 5, respectively.

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong and PRC. Substantially all of the Group's revenues from external customers for the six months ended 30 September 2018 and 2017 were derived from Hong Kong and PRC, the places of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong and PRC.

4. REVENUE AND OTHER INCOME

	Three months ended 30 September		Six months ended 30 September	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited) (Restated)	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited) (Restated)
Revenue				
Restaurant operations	51,754	58,012	102,616	112,767
Construction contracts	176,796	147,486	349,680	446,450
	<u>228,550</u>	<u>205,498</u>	<u>452,296</u>	<u>559,217</u>
Other income				
Interest income	125	139	430	139
Others	362	1,279	1,233	1,390
	<u>487</u>	<u>1,418</u>	<u>1,663</u>	<u>1,529</u>

5. PROFIT BEFORE TAX

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

	Three months ended 30 September		Six months ended 30 September	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited) (Restated)	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited) (Restated)
Cost of food and beverage	15,076	16,172	29,731	32,227
Amortisation of intangible assets	404	74	832	134
Auditors' remuneration	—	—	—	—
Depreciation	2,848	3,644	6,345	6,997
Lease payments under operating lease in respect of land and buildings:				
Minimum lease payments	11,605	14,884	23,663	27,917
Contingent rents	59	88	141	173
	<u>11,664</u>	<u>14,972</u>	<u>23,804</u>	<u>28,090</u>
Contract costs:				
Cost of construction materials and supplies	125,214	88,331	264,500	324,727
Subcontracting charges and labour cost	21,956	32,364	26,319	48,979
Transportation	2,180	608	3,748	2,233
Machine and vehicle rental expenses	1,880	2,497	3,034	3,012
Other expenses	3,014	1,651	3,775	2,454
	<u>154,244</u>	<u>125,451</u>	<u>301,376</u>	<u>381,405</u>

	Three months ended 30 September		Six months ended 30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Employee benefits expenses (excluding directors' and chief executive's remuneration):				
Salaries, wages and other benefits	19,494	18,519	38,207	40,803
Retirement benefit scheme contributions	564	951	2,104	2,467
	<u>20,058</u>	<u>19,470</u>	<u>40,311</u>	<u>43,270</u>
Write-off of items of property, plant and equipment	–	588	–	588
Reversal of provision for reinstatement costs	–	(357)	–	(357)
Loss on disposal of items of property, plant and equipment	400	–	400	–
Loss on disposal of intangible assets	26	–	26	–
Foreign exchange differences, net	<u>(14)</u>	<u>15</u>	<u>(33)</u>	<u>34</u>

6. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Current tax – Hong Kong	(153)	649	373	1,168
Current tax – PRC	<u>4,091</u>	<u>5,066</u>	<u>7,122</u>	<u>7,093</u>
Total tax charge for the period	<u>3,938</u>	<u>5,715</u>	<u>7,495</u>	<u>8,261</u>

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 six months ended 30 September 2018 and 2017.

The PRC

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

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

7. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic earnings per share

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

	Three months ended 30 September		Six months ended 30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	<u>8,958</u>	<u>9,803</u>	<u>13,927</u>	<u>23,605</u>
Number of shares				
Weighted average number of shares	<u>818,000</u>	<u>818,000</u>	<u>818,000</u>	<u>818,000</u>

The Group issued and allotted bonus shares on the basis of one bonus share for every one existing share held by the qualifying shareholders on the record date of 25 October 2017. The weighted average number of shares used in the above calculation of basis earnings per share for the relevant periods has been adjusted to reflect the bonus issue of shares, which was completed on 1 November 2017.

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

8. DIVIDENDS

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

9. TRADE AND BILLS RECEIVABLES

For the catering business, the Group's trading terms with its customers are mainly on cash, credit card and smart card settlement.

For the renewable energy business, the Group's trading terms with its customers are mainly on credit. The credit period granted to the customers ranges from 30 days to 90 days.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables, based on invoice date at the end of the reporting period, is as follows:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Within 1 month	157,446	53,413
Over 1 month but less than 3 months	77,388	100,192
Over 3 months	123,840	265,462
	358,674	419,067

The trade receivables included in the above ageing analysis are considered not impaired. No provision for impairment of trade receivables was made as at 30 September 2018 and 31 March 2018.

10. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Within 1 month	65,376	55,473
Over 1 month but less than 2 months	35,217	13,829
Over 2 months	63,341	95,518
	163,934	164,820

The trade and bills payables are non-interest bearing and generally have payment terms of 30 – 90 days. Trade payables from related parties are also repayable on similar credit terms to those offered by the major suppliers of the Group.

11. BANK BORROWINGS

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

12. ISSUED CAPITAL

	Number of ordinary share of HK\$0.01 each	Nominal value of ordinary shares HK\$'000
Authorised:		
At 31 March 2018 and 30 September 2018	2,000,000,000	20,000
Issued and fully paid:		
At 30 September 2018 (Unaudited)	818,000,000	8,180

13. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the period:

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
JC & Associates Limited (mainly from restaurant operations segment) (note i)		
– purchase of food	–	1,343
– management income	–	360
R & C Corporate Services Limited (mainly from restaurant operations segment) (note i)		
– corporate service fee	39	100
Well-in Hotel Supplies Company Limited (mainly from restaurant operations segment) (note i)		
– purchase of kitchen utensils	15	1,288
– administrative expenses	45	288
– management fee	84	–
Jiangshan Youhe Machinery Co., Ltd.* (江山市友和機械有限公司) (mainly from renewable energy segment) (note ii)		
– rental expenses	109	–
Zhejiang Xingcai AgroSciences Limited* (浙江星菜農業科技有限公司) (mainly from renewable energy segment) (note ii)		
– rental expenses	90	–

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that those related party transactions were conducted in the ordinary course of business of the Group.

Notes:

- (i) These related companies are controlled by Mr. Wu Kai Char and/or Ms. Wong Wai Ling.
- (ii) These related parties are controlled by Mr. Wu Jian Nong and Mr. Xu Shui Sheng, the executive directors of the Company.
- (b) Compensation of key management personnel of the Group, including directors' and chief executive's remuneration, is as follows:

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	1,316	2,951
Post-employment benefits	90	–
	1,406	2,951

14. OPERATING LEASE COMMITMENTS

The Group leases certain of its restaurants, office premises and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to three years.

At 30 September 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2018	31 March 2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	43,429	35,095
In the second to fifth years, inclusive	49,952	40,889
Beyond five years	3,945	–
	97,326	75,984

In addition, the operating lease rentals for certain restaurants are based on the higher of a fixed rental and contingent rent based on the revenue of the restaurants pursuant to the terms and conditions as set out in the respective tenancy agreements. As the future revenue of the restaurants could not be reliably determined, the minimum lease commitments are based on the fixed rental.

15. PLEDGE OF ASSETS

As at 30 September 2018 and 31 March 2018, the entire issued share capital of Glory Kind Development Limited (a direct wholly-owned subsidiary of the Company) were pledged to secure the issuance of a promissory note to an independent third party.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Renewable Energy Business

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

As of 30 September 2018, Tonking New Energy Technology (Shanghai) Co., Ltd.* (同景新能源科技(上海)有限公司) has six wholly-owned subsidiaries, namely, Tonking New Energy Technology (Jiangshan) Co., Ltd.* (同景新能源科技(江山)有限公司), Horqin Zuo Yi Hou Qi Tong Jing New Energy Co., Ltd.* (科爾沁左翼後旗同景新能源有限公司), Nan Zhang County Tonking New Energy Co., Ltd.* (南漳縣同景新能源有限公司), Huai Nan City Tonking New Energy Co., Ltd.* (淮南市同景新能源有限公司), Zhenping County Tonking New Energy Co., Ltd.* (鎮平縣同景新能源有限公司) and Lin Yi City Tonking New Energy Co., Ltd.* (臨沂市同景新能源有限公司), as well as one non-wholly owned subsidiary, namely, Jin Zhai County Tonking New Energy Co., Ltd.* (金寨縣同景新能源有限公司) for the purpose of accelerating the Group's development in the renewable energy business.

During the reporting period, our renewable energy business recorded a total revenue of approximately HK\$349,680,000 (2017 corresponding period: HK\$446,450,000), which was mainly attributable to the provision of one-stop value-added solutions for photovoltaic power stations and sales of the patented photovoltaic tracking mounting bracket systems. During the reporting period, the total contracted installed capacity of Group was 357.4MW.

During the Reporting Period,

(I) Entering into new contracts

- (1) On 2 April 2018, Tonking New Energy Technology (Jiangshan) Co., Ltd.* (同景新能源科技(江山)有限公司) entered into a contract with Changshan County Huibu Town Shimuling Village Stock Economic Cooperative* (常山縣輝埠鎮石姆嶺村股份經濟合作社) in relation to the equipment procurement and installation project of the 1.56MWp photovoltaic power station in Shimuling Village, Huibu Town, Changshan County.
- (2) On 13 April 2018, Tonking New Energy Technology (Shanghai) Co., Ltd.* (同景新能源科技(上海)有限公司) entered into a procurement contract with Yuchai Marketing Co., Ltd.* (玉柴營銷有限公司) in relation to the flat uniaxial tracking mounting bracket for districts A and B of phase II of 40MWp agricultural photovoltaic power generation project in Guipin, Yuchai.
- (3) On 16 April 2018, Tonking New Energy Technology (Jiangshan) Co., Ltd.* (同景新能源科技(江山)有限公司) entered into a procurement contract with Wanhuitong Energy Technology Co., Ltd.* (萬滙通能源科技有限公司) in relation to the flat uniaxial tracking mounting bracket equipment for the 84.464MWp photovoltaic power generation project in Garzê Prefecture, Sichuan Province.

- (4) On 22 April 2018, Tonking New Energy Technology (Jiangshan) Co., Ltd.* (同景新能源科技(江山)有限公司) entered into a purchase and sale contract with Ningxia Luyu Construction Co., Ltd.* (寧夏魯禹建設工程有限公司) in relation to the fixed mounting brackets of sheepfolds for the 6.36MWp photovoltaic power generation project combining with agriculture in Yongning county, Ningxia.
- (5) In May 2018, Tonking New Energy Technology (Jiangshan) Co., Ltd.* (同景新能源科技(江山)有限公司) entered into a procurement contract with Jiangsu Ruiwang Energy Technology Co., Ltd.* (江蘇瑞旺能源科技有限公司) in relation to the fixed mounting brackets for the 5.9MWp photovoltaic power station project of the photovoltaic poverty-alleviation power plant in Luci town, Leping.
- (6) In June 2018, Tonking New Energy Technology (Jiangshan) Co., Ltd.* (同景新能源科技(江山)有限公司) entered into a procurement contract with Hangkai Photovoltaic Technology Co., Ltd.* (浙江杭開光伏科技有限公司) in relation to the fixed mounting brackets for the 2MWp photovoltaic power station project in Hunan Town, Qujiang District, Quzhou City.
- (7) In July 2018, Tonking New Energy entered into an agreement with Jiangxi Dexiong Photovoltaic Power Co. Ltd. of State Power Investment Group* (國家電投集團江西德興光伏發電有限公司) in relation to the purchases, sales and installation of mounting system for the 13.496MW CPI photovoltaic power generation project combining with agriculture and forestry in Dexiong City.
- (8) In August 2018, Tonking New Energy Technology (Jiangshan) Co., Ltd.* (同景新能源科技(江山)有限公司) entered into a contract with Jiangshan City Xintangbian Town Maocunshantou Village Stock Economic Cooperative* (江山市新塘邊鎮毛村山頭村股份經濟合作社) in relation to the equipment procurement and installation project of the 305.5KWp photovoltaic ground power station in Maocunshantou Village, Xintangbian Town, Jiangshan City.
- (9) In August 2018, Tonking New Energy Technology (Shanghai) Co., Ltd.* (同景新能源科技(上海)有限公司) entered into a procurement contract with Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) in relation to the mounting bracket for Sungrow Power Supply's 5.51152MW fore-runner photovoltaic power station project in Weinan region.
- (10) In August 2018, Tonking New Energy Technology (Shanghai) Co., Ltd.* (同景新能源科技(上海)有限公司) entered into a procurement contract with Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) in relation to the fixed/adjustable brackets for Sungrow Power Supply's 55.46024MW fore-runner photovoltaic power station project in Golmud City.
- (11) In September 2018, Tonking New Energy Technology (Shanghai) Co., Ltd.* (同景新能源科技(上海)有限公司) entered into a procurement contract with Sungrow Power Supply Co., Ltd.* (陽光電源股份有限公司) in relation to the brackets for Sungrow Power Supply's 50.42286MW photovoltaic poverty-alleviation project in Qinghai Province.

(II) Successful Tender and Contracts Awarded

- (1) A contract was awarded by Wuling Wuhai Electric Power Co., Ltd.* (五凌烏海電力有限公司) to Tonking New Energy Technology (Jiangshan) Co., Ltd.* (同景新能源科技(江山)有限公司) in relation to the engineering, procurement and construction general contracting for the 47.65804MWp photovoltaic field of Wuling Wuhai.
- (2) A contract was awarded by Guangxi Xijiang Group Investment Co., Ltd.* (廣西西江集團投資股份有限公司) to Tonking New Energy Technology (Shanghai) Co., Ltd.* (同景新能源科技(上海)有限公司) and entered into with Guangxi Tiandong Xijiang Energy Co., Ltd.* (廣西田東西江能源有限公司) in relation to the procurement of floating photovoltaic system for the 27MWp hydro-photovoltaic project at the Lila Ditch of Weir Reservoir Area in Youjiang district, Guangxi Province.

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

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

The Group adheres to promoting healthy and sustainable development based on technological innovation, occupying the market with advanced technologies, increasing investment in technology research and carrying out the market-oriented, customer-centered philosophy. Based on its many years' experience in renewable energy and careful analysis of China's policies, it can provide customers with an ecological integrated intelligence mode combining agriculture (forestry and animal husbandry), fishery and photovoltaic generation, as well as personalized intelligent solutions for mountains, roofs, etc.

With the outstanding core competitiveness bringing by its own patented proprietary technological products, the Group's market share has achieved a steady growth. The Group actively participates in various projects such as photovoltaic fore-runner projects, photovoltaic poverty alleviation projects and distributed photovoltaic projects, helping to solve the problem of electricity consumption in poor areas and provide a long-term source of stable income to poor people on the one hand, while demonstrating the competitive strength and technology strength of the Group's products through fore-runner projects on the other hand.

Our floating pontoon has successfully passed the European Union RoHS quality standards certification, marking that the Group has become the first supplier certificated by the TÜV SÜD Hydro-photovoltaic Bracket System in the PRC. Meanwhile, our “power distribution cabinet tracker” has passed the 3C certification and our tracking mounting brackets system has also passed the certification of American Underwriters Laboratories (UL). And at the same time, Tonking New Energy Technology (Jiangshan) Co., Ltd.* (同景新能源科技(江山)有限公司), a wholly-owned subsidiary of the Group, obtained the Certificate of Class-B Qualification for Engineering Design in relation to Electricity Industry (Renewable Energy Power Generation) (電力行業(新能源發電)專業乙級工程設計資質), which was another development breakthrough made by the Group following the obtaining of the Construction General Contracting Qualification (Class-C) for Electric Engineering (電力工程施工總承包三級資質). This certificate has met the Company’s requirements in engineering design of new energy power generation, successfully brought the Company to a new stage of engineering design of the new energy industry and further established the Company’s leading position in the renewable energy industry.

Food and Beverage Business

The Group is also operating 8 full-service restaurants and 1 cake shop as at 30 September 2018, namely “Inakaya”, “LE 39V”, “Harlan’s”, “Kaika”, “Royal Grill Ginji”, “Ryoriban No Ginji”, “Pearl Delights”, “PHO Hoi An” and “Harlan’s Cake Shop” of which some are operated by way of franchising agreement. The Group endeavored to work out the philosophy – “unique dining concepts” through quality dishes accompanied by a pleasant atmosphere and attentive services.

DISPOSAL OF FOOD AND BEVERAGE BUSINESS

According to the announcement made on 29 September 2017 (after trading hours), the Company and Happy Kind Holdings Limited (the “Purchaser”) entered into a sale and purchase agreement (the “Sale and Purchase Agreement”). Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the sale shares, representing the entire issued share capital of Glory Kind Development Limited (the “Disposal Company”), at the consideration of HK\$50,505,000 (the “Disposal”). The Disposal Company is a wholly-owned subsidiary of the Company and is an investment holding company. The Disposal Company and its subsidiaries (“Disposal Group”) is principally engaged in the operation and management of restaurants and cake shops in Hong Kong. Upon the completion, the Company will cease to hold any interest in the Disposal Company. Each member of the Disposal Group will cease to be a subsidiary of the Company.

The consideration of HK\$50,505,000 shall be satisfied by the Purchaser at completion by (i) HK\$23,000,000 in cash and to be settled by way of telegraphic transfer to the designated bank account of the Company; and (ii) the entering of the second deed of novation (“Deed of Novation II”) at the completion date to transfer and novate from the Company to the Purchaser the payment obligation of the indebtedness amounting to approximately HK\$27,505,000 to the Disposal Company.

Further to the announcement made on 8 January 2018 (after trading hours), the Company and the Purchaser entered into a supplemental agreement to the Sale and Purchase Agreement dated 8 January 2018 whereby the parties agreed to extend the long stop date from 8 January 2018 to 9 April 2018 (or such later date as may be agreed between the Company and the Purchaser).

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

Further to the announcement made on 31 August 2018 (after trading hours), the Company and the Purchaser entered into a third supplemental agreement to the Sale and Purchase Agreement dated 31 August 2018 whereby the parties agreed to extend the long stop date from 31 August 2018 to 30 November 2018 (or such later date as may be agreed between the Company and the Purchaser).

An extraordinary general meeting was held on 18 October 2018 to approve the Disposal of the Disposal Company. As at the date of this announcement, the Disposal has not yet been completed.

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2018, the Group recorded an unaudited revenue of approximately HK\$452,296,000, representing a decrease of approximately 19% compared with approximately HK\$559,217,000 (restated) of the corresponding period in 2017.

Staff costs

The staff costs for the six months ended 30 September 2018 amounted to approximately HK\$41,717,000, representing a decrease by approximately 10% when compared with that of approximately HK\$46,221,000 (restated) from the corresponding period in 2017. The decrease was in line with the decrease of revenue.

Depreciation and amortisation

Depreciation and amortisation slightly increased by approximately 1% to approximately HK\$7,177,000 for the six months ended 30 September 2018 (2017: approximately HK\$7,131,000 (restated)).

Administrative and other operating expenses

Administrative and other operating expenses decreased by approximately 18% to approximately HK\$23,875,000 for the six months ended 30 September 2018 from approximately HK\$28,968,000 (restated) for the corresponding period in 2017. The decrease was mainly due to the Group strengthened the expenses control and internal management.

Net profit for the period

For the six months ended 30 September 2018, the Group recorded profit attributable to owners of the Company of approximately HK\$13,927,000 (2017: profit of approximately HK\$23,605,000 (restated)).

FUTURE PROSPECTS

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

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

2. The Ministry of Land and Resources, the State Council Leading Group Office of Poverty Alleviation and Development and the National Energy Administration issued Opinions on Supporting Photovoltaic Poverty Alleviation and Regulating Photovoltaic Power Generation Industry Lands (Guo Tu Zi Gui [2017] No.7) (國土資規[2017]7號關於支援光伏扶貧和規範光伏發電產業用地的意見) in September 2017. The Opinions pointed out that all regions shall speed up the preparation of their photovoltaic power generation plans and rationalize the construction of photovoltaic power generation projects according to the national photovoltaic industry development plan and their actual conditions. The photovoltaic power generation plans should be consistent with the overall land use plans and other related plans. Unutilised lands are allowed to be used whereas agricultural lands shall not be occupied. The use of permanent basic farmland in any way shall be prohibited and the development of photovoltaic power generation projects in the region expressly prohibited by the relevant national laws, regulations and plans shall also be strictly prohibited.

Apart from the photovoltaic poverty alleviation projects identified in this document and the photovoltaic power station projects constructed by taking use of agricultural lands (hereinafter referred to as “Photovoltaic Compound Projects”), other photovoltaic power station projects shall use land in strict compliance with the requirements of Guo Tu Zi Gui [2015] No. 5 (國土資規[2015]5號文). For projects involved in unutilised lands, the land for photovoltaic arrays can be identified according to the in-place category under which the use of lands shall not be changed and lands shall be used rationally.

Tonking Group used the agricultural land other than permanent basic farmland for its photovoltaic arrays and will not change the nature of the original land without prejudice to the conditions of agricultural production. This model meets the requirements of the Ministry of Land and Resources and will be widely adopted and promoted in the photovoltaic industry, which will provide a vast space for the future development of the Company.

3. The Notice on the Issues Related to the Construction of Fore-runner Bases for Photovoltaic Power Generation in 2017 (《關於2017年光伏發電領跑基地建設有關事項的通知》)

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

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

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

In order to speed up the further development in photovoltaic sector, the Group will, on the one hand, increase the proportion of research and development investment, focusing on the research and development of high quality, leading photovoltaic tracking system products with sustained market competitiveness. Through innovation, we aim to improve product performance, reduce power generation cost and promote grid parity. With its own resources and competitive advantages, the Group actively promotes the photovoltaic ‘fore-runner’ project and photovoltaic poverty alleviation project. At the same time, we will continue to maintain the cooperation with large enterprise groups in the industry, so as to increase the market share of the Group’s photovoltaic tracking system in the industry. On the other hand, based on the steady development of domestic business, we intend to expand the market share in the international market. With the sustained global concern on the environmental protection, as well as the great impetus of “the Belt and Road” policy to the application of renewable energy by alongside countries and regions, the Group will also grasp its technical advantages and successful experience to actively deploy overseas market and ensure its products pass UL testing and relevant international certification standards. Currently, the Group has made cooperation with Lebanon, and is planning to sell its products to the Africa, India, Southeast Asia and other countries in the future.

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

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 30 September 2018, the share capital and equity attributable to owners of the Company amounted to HK\$8,180,000 and approximately HK\$190,094,000 respectively (31 March 2018: HK\$8,180,000 and approximately HK\$197,166,000 respectively).

Cash position

As at 30 September 2018, the cash and cash equivalents of the Group amounted to approximately HK\$39,446,000 (31 March 2018: approximately HK\$69,831,000), representing an decrease of approximately 44% as compared to that as at 31 March 2017.

Borrowing

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

Gearing ratio

As at 30 September 2018, the gearing ratio of the Group was approximately 40% (31 March 2018: approximately 53%). The gearing ratio is calculated based on the total debt at the end of the period/year divided by the total debt plus total equity at the end of the respective period/year. Total debt represents all liabilities excluding trade and bills payables, other payables, accruals and receive in advance, tax payables and provision for reinstatement costs.

Exchange Rate Exposure

The Group is principally engaged in the renewable energy business in the PRC and the operation and management of restaurants and cake shops in Hong Kong. As the renewable energy business segment of the Group has subsidiaries operating in the PRC, in which most of their transactions are denominated in Renminbi, the Group is exposed to foreign exchange fluctuations in Renminbi.

The Group has not entered into any foreign exchange contract as hedging measures. The Group manages its foreign currency risk against Renminbi by closely monitoring its movement and the management may consider using hedging derivative, to manage its foreign currency risk in future should the need arises.

Significant Investments Held, Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies, and Plans for Material Investments or Capital Assets

Save as the sale and purchase agreement the Company entered into with Happy Kind Holdings Limited in relation to, among others, the disposal of the entire issued share capital of Glory Kind Development Limited, a wholly-owned subsidiary of the Company, on 29 September 2017, there were no other significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2018. For details, please refer to the announcement of the Company dated 29 September 2017.

Contingent Liabilities

As at 30 September 2018, the Group had no material contingent liabilities (31 March 2018: nil).

Capital Commitment

As at 30 September 2018, the Group had capital commitment of HK\$18,799 (31 March 2018: HK\$65,000).

Employee and Emolument Policies

The Group had 439 employees (including Directors) as at 30 September 2018 (31 March 2018: 471 employees). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors and senior management are reviewed by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement, and approved by the Board.

CORPORATE GOVERNANCE CODE

During the six months ended 30 September 2018, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the “Code”) contained in Appendix 15 to the GEM Listing Rules, except for the deviation from code provision A.2.1 of the Code 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 six months ended 30 September 2018, none of the Directors, the controlling shareholders or the substantial shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

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

Long positions in the Shares

Name of Directors	Capacity	Number of ordinary shares interested	Approximate percentage of shareholding
Mr. Wu Jian Nong	Interest of controlled corporation (<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 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 September 2018, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

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

Long positions in the Shares

Name of Shareholders	Nature of Interest	Number of Shares interested	Approximate percentage of shareholding
Rise Triumph Limited (<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:

1. These 224,380,000 Shares are held by Rise Triumph Limited. Mr. Wu Jian Nong beneficially owns 96% of the issued share capital of Rise Triumph Limited. Mr. Wu Jian Nong is deemed, or taken to be, interested in all the Shares held by Rise Triumph Limited for the purpose of the SFO.
2. These 206,000,000 Shares are held by Victory Stand, the entire issued share capital of which is beneficially owned as to 73.88%, 17.41% and 8.71% by Mr. Wu Kai Char, Ms. Wong Wai Ling and Mr. Lui Hung Yen, respectively. Mr. Wu Kai Char is deemed to be interested in all the Shares held by Victory Stand under the SFO.

Save as disclosed above, as at 30 September 2018, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealings, 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 six months ended 30 September 2018.

AUDIT COMMITTEE

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

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any other significant event requiring disclosure that has taken place subsequent to 30 September 2018 and up to the date of this announcement.

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

Hong Kong, 12 November 2018

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

This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange’s website (www.hkexnews.hk) for 7 days from the date of its posting and will also be published on the Company’s website (www.tonkinggroup.com.hk).

* For identification purpose only