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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 2021

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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.

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 2021, together with the unaudited comparative figures for the respective corresponding periods in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2021

	Notes	Three months ended 30 September		Six months ended 30 September	
		2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Revenue	4	33,922	26,192	153,130	63,490
Contract costs and cost of sales	5	(27,023)	(29,874)	(137,005)	(60,764)
Gross profit		6,899	(3,682)	16,125	2,726
Other income	4	3,175	1,769	7,348	3,792
Administrative and other operating expenses		(6,782)	(7,398)	(13,202)	(11,799)
Finance cost		(834)	(694)	(1,594)	(1,135)
PROFIT/(LOSS) BEFORE TAX	5	2,458	(10,005)	8,677	(6,416)
Income tax (expense)/credit	6	(81)	1,022	277	179
PROFIT/(LOSS) FOR THE PERIOD		2,377	(8,983)	8,954	(6,237)
Attributable to:					
Owners of the Company		2,005	(9,428)	8,225	(7,201)
Non-controlling interests		372	445	729	964
		2,377	(8,983)	8,954	(6,237)

		Three months ended		Six months ended	
		30 September		30 September	
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Notes		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
EARNINGS PER SHARE					
ATTRIBUTABLE TO ORDINARY					
EQUITY HOLDERS OF THE					
COMPANY					
- Basic and diluted (HK cents)	7	<u>0.25</u>	<u>(1.15)</u>	<u>1.00</u>	<u>(0.88)</u>
PROFIT/(LOSS) FOR THE PERIOD		2,377	(8,983)	8,954	(6,237)
OTHER COMPREHENSIVE					
EXPENSES					
<i>Other comprehensive (expense)/income</i>					
<i>to be reclassified to profit or loss</i>					
<i>in subsequent periods:</i>					
Exchange differences on translation of foreign operations		<u>(343)</u>	<u>17,951</u>	<u>3,298</u>	<u>12,977</u>
Other comprehensive (expense)/income, net of tax		<u>(343)</u>	<u>17,951</u>	<u>3,298</u>	<u>12,977</u>
TOTAL COMPREHENSIVE					
INCOME FOR THE PERIOD		<u>2,034</u>	<u>8,968</u>	<u>12,252</u>	<u>6,740</u>
Attributable to:					
Owners of the Company		<u>1,957</u>	<u>8,523</u>	<u>11,521</u>	<u>5,776</u>
Non-controlling interests		<u>77</u>	<u>445</u>	<u>731</u>	<u>964</u>
		<u>2,034</u>	<u>8,968</u>	<u>12,252</u>	<u>6,740</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
	<i>Notes</i>	
NON-CURRENT ASSETS		
Property, plant and equipment	38,581	38,872
Right-of-use assets	133	133
Intangible assets	5,261	5,634
	<hr/>	<hr/>
Total non-current assets	43,975	44,639
	<hr/>	<hr/>
CURRENT ASSETS		
Inventories	11,670	11,158
Contract assets	22,397	19,102
Trade and bills receivables	233,468	228,684
Prepayments, deposits and other receivables	29,048	53,856
Other financial assets	24,007	–
Due from related parties	–	15
Tax recoverable	1,868	–
Cash and cash equivalents	67,676	24,428
	<hr/>	<hr/>
Total current assets	390,134	337,243
	<hr/>	<hr/>
CURRENT LIABILITIES		
Contract liabilities	7,490	6,599
Trade and bills payables	64,112	51,588
Other payables and accruals	61,007	48,251
Due to related parties	11,010	11,197
Bank borrowings	28,568	28,233
Tax payable	–	25
	<hr/>	<hr/>
Total current liabilities	172,187	145,893
	<hr/>	<hr/>

		30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
NET CURRENT ASSETS		<u>217,947</u>	<u>191,350</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>261,922</u>	<u>235,989</u>
NON-CURRENT LIABILITIES			
Long-term payables		<u>13,681</u>	–
Total non-current liabilities		<u>13,681</u>	–
Net assets		<u><u>248,241</u></u>	<u><u>235,989</u></u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	<i>12</i>	8,180	8,180
Reserves		<u>216,659</u>	<u>205,138</u>
		224,839	213,318
Non-controlling interests		<u>23,402</u>	<u>22,671</u>
Total equity		<u><u>248,241</u></u>	<u><u>235,989</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to owners of the Company						Non- controlling interests	Total equity
	Issued capital	Share premium	Statutory reserves	Exchange fluctuation reserves	Retained profits	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2021 (audited)	8,180	71,725	11,101	2,869	119,443	213,318	22,671	235,989
Loss for the period	–	–	–	–	8,225	8,225	729	8,954
Other comprehensive income for the period	–	–	–	3,296	–	3,296	2	3,298
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,296</u>	<u>8,225</u>	<u>11,521</u>	<u>731</u>	<u>12,252</u>
At 30 September 2021 (unaudited)	<u>8,180</u>	<u>71,725</u>	<u>11,101</u>	<u>6,165</u>	<u>127,668</u>	<u>224,839</u>	<u>23,402</u>	<u>248,241</u>
At 31 March 2020 (audited)	8,180	71,725	9,914	(17,442)	129,260	201,637	20,150	221,787
Loss for the period	–	–	–	–	(7,201)	(7,201)	964	(6,237)
Other comprehensive income for the period	–	–	–	12,977	–	12,977	–	12,977
Total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>12,977</u>	<u>(7,201)</u>	<u>5,776</u>	<u>964</u>	<u>6,740</u>
At 30 September 2020 (unaudited)	<u>8,180</u>	<u>71,725</u>	<u>9,914</u>	<u>(4,465)</u>	<u>122,059</u>	<u>207,413</u>	<u>21,114</u>	<u>228,527</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
Notes	(Unaudited)	(Unaudited)
Net cash generated from/(used in)		
operating activities	29,357	(20,670)
Net cash used in investing activities	(125)	(12,491)
Net cash generated from/(used in)		
financing activities	14,016	(35,989)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	43,248	(69,150)
Cash and cash equivalents at beginning of the period	24,428	118,214
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	67,676	49,064
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balance of cash and cash equivalents:		
Cash and bank balances	67,676	49,064
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 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 six months ended 30 September 2021 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

Basis of preparation

The unaudited condensed consolidated financial statements for the six months ended 30 September 2021 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 2021 are consistent with those adopted in the Group's annual financial statements for the year ended 31 March 2021, 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 2021. The unaudited condensed consolidated financial statements for the six months ended 30 September 2021 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 30 June 2021.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2021 have been prepared under the historical cost convention.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new or amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current period.

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of these amendments to HKFRSs during the six months ended 30 September 2021 had no material impact on the Group's financial performance and positions for the six months ended 30 September 2021 and 2020 and/or on the disclosure set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business unit based on their products and services and has one reportable operating segment, namely the renewable energy business segment for the period ended 30 September 2021.

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.

Management monitors the results of the Group's operating segment 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 corporate and other unallocated liabilities as these liabilities are managed on a group basis.

Geographic Information

Revenue from external customers

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Mainland China	153,130	63,490
	<u>153,130</u>	<u>63,490</u>

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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer 1	47,983	14,667
Customer 2	35,883	10,452
Customer 3	29,328	10,298
Customer 4	N/A ¹	7,833

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 PRC for the six months ended 30 September 2021. Substantially all of the Group's revenues from external customers for the six months ended 30 September 2021 and 30 September 2020 derived from 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.

1. The corresponding revenue did not contribute over 10% of the total revenue of the Group.

4. REVENUE AND OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Construction contracts	<u>33,922</u>	<u>26,192</u>	<u>153,130</u>	<u>63,490</u>
	<u>33,922</u>	<u>26,192</u>	<u>153,130</u>	<u>63,490</u>
Other income				
Interest income	612	22	629	129
Others	<u>2,563</u>	<u>1,747</u>	<u>6,719</u>	<u>3,663</u>
	<u>3,175</u>	<u>1,769</u>	<u>7,348</u>	<u>3,792</u>

5. PROFIT/(LOSS) BEFORE TAX

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

	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amortisation of intangible assets	223	377	443	456
Depreciation of right-of-use assets	1	115	2	261
Auditors' remuneration	–	–	–	–
Depreciation	614	431	1,239	1,229
Contract costs:				
Cost of construction materials and supplies	23,439	24,183	121,976	53,228
Subcontracting charges and labour cost	1,900	5,116	10,824	6,453
Transportation	240	23	598	93
Machine and vehicle rental expenses	305	407	1,824	596
Other expenses	<u>1,139</u>	<u>145</u>	<u>1,783</u>	<u>394</u>
	<u>27,023</u>	<u>29,874</u>	<u>137,005</u>	<u>60,764</u>

	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Employee benefits expenses (excluding directors' and chief executive's remuneration):				
Salaries, wages and other benefits	1,223	1,104	2,238	2,669
Retirement benefit scheme contributions	166	38	334	45
	<u>1,389</u>	<u>1,142</u>	<u>2,572</u>	<u>2,714</u>
Foreign exchange differences, net	<u>12</u>	<u>13</u>	<u>1</u>	<u>19</u>

6. INCOME TAX (EXPENSE)/CREDIT

	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax – PRC	<u>(81)</u>	<u>1,022</u>	<u>277</u>	<u>179</u>
(Charge)/credit for the period	<u>(81)</u>	<u>1,022</u>	<u>277</u>	<u>179</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 2021 and 2020.

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		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to owners of the Company	<u>2,005</u>	<u>(9,428)</u>	<u>8,225</u>	<u>(7,201)</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 2021 and 2020.

8. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 September 2021 and 2020.

9. TRADE AND BILLS RECEIVABLES

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	31 March
	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 1 month	77,475	101,716
Over 1 month but less than 3 months	7,055	36,470
Over 3 months	<u>148,938</u>	<u>91,820</u>
	<u>233,468</u>	<u>230,006</u>

The movements in the loss allowance for trade and bills receivables are as follows:

	2021 HK\$'000
At 1 April 2021	1,322
Movement in the period	—
	<hr/>
At 30 September 2021	1,322
	<hr/> <hr/>

An impairment analysis is performed at each reporting date by considering expected credit losses, which are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

In determining the expected credit loss for trade and bills receivables, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables and other current assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

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 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Within 1 month	29,845	20,598
Over 1 month but less than 2 months	15,004	5,665
Over 2 months	19,263	25,325
	<hr/>	<hr/>
	64,112	51,588
	<hr/> <hr/>	<hr/> <hr/>

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

As at 30 September 2021, borrowing of the Group amounted to approximately HK\$28,568,000 (31 March 2021: HK\$28,233,000).

During the period, the Group has borrowed a short-term bank loan amounted to approximately HK\$28,568,000 which bear interest rate of 5.5% per annum.

12. ISSUED CAPITAL

	Number of ordinary share of HK\$0.01 each	Nominal value of ordinary shares HK\$'000
Authorised:		
At 31 March 2021 and 30 September 2021	2,000,000,000	20,000
Issued and fully paid:		
At 30 September 2021 (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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Jiangshan Youhe Machinery Co., Ltd.* (江山市友和機械有限公司) (mainly from renewable energy segment) (note i)		
– rental expenses and utilities expenses	371	206
Zhejiang Xingcai AgroSciences Limited* (浙江星菜農業科技有限公司) (mainly from renewable energy segment) (note i)		
– rental expenses	186	171
	<u>557</u>	<u>377</u>

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 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Short term employee benefits	828	860
Post-employment benefits	69	19
	<u>897</u>	<u>879</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PROSPECTS

Renewable Energy Business

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

As of 30 September 2021, Tonking New Energy Technology (Shanghai) Limited* (同景新能源科技(上海)有限公司) has 2 wholly-owned subsidiaries, namely, Tonking New Energy Technology (Jiangshan) Limited* (同景新能源科技(江山)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 1 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\$153,130,000 (the corresponding period in 2020: HK\$63,490,000), which was mainly attributable to the provision of one-stop value-added solutions for photovoltaic power stations and sale of patented photovoltaic tracking mounting bracket systems. During the reporting period, the total contracted installed capacity of the Group was 204.9MW.

During the reporting period, new contracts were signed:

- (1) On 15 April 2021, Tonking New Energy (Jiangshan) and Xi'an Longji Clean Energy Co., Ltd.* (西安隆基清潔能源有限公司) entered into a project in relation to the 200MW photovoltaic power generation in Binggou, Xingqing District, Yinchuan City and a adjustable project of Longji in Binggou, Yinchuan City
- (2) On 15 April 2021, Tonking New Energy (Jiangshan) and Xi'an Longji Green Energy Photovoltaic Engineering Co., Ltd.* (西安隆基綠能光伏工程有限公司) entered into a project in relation to the photovoltaic power generation in Hailuo, Jining
- (3) On 11 May 2021, Tonking New Energy (Jiangshan) and Daqing Huanghe Guangchu Demonstration Research Co., Ltd.* (大慶黃和光儲實證研究有限公司) entered into a Daqing Base Program
- (4) On 3 June 2021, Tonking New Energy (Jiangshan) and China Datang Group Technology Engineering Co., Ltd.* (中國大唐集團科技工程有限公司) entered into a Datang Huayin Program
- (5) On 15 July 2021, Tonking New Energy (Jiangshan) and Sungrow New Energy Development Co., Ltd.* (陽光新能源開發有限公司) entered into a Longjiang County of Qiqihar City of Heilongjiang Photovoltaic Program
- (6) On 8 August 2021, Tonking New Energy (Jiangshan) and Sichuan Haoneng New Energy Co., Ltd.* (四川浩能新能源有限公司) entered into a Talesun Hongsibao Photovoltaic Project

* For identification purpose only

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 emphasizes 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. The Group is committed to promoting the healthy development of the photovoltaic industry, with the development direction of improving product performance, reducing the cost of electricity, and advancing grid parity.

Technological innovation has become the only way for domestic PV enterprises. In order to stabilize the Company market share in bracket products and maintain the market competitiveness of the products, Tonking New Energy, as an innovator and leader in the field of photovoltaic brackets, has developed a multi-point linkage bracket system with safety and stability as the breakthrough point through professional calculation software such as PVsyst, Ansys, Sap2000 and finite element analysis, while continuously improving its technology and advancement. Based on the original technology, the system has been technically upgraded in terms of the core transmission system, which has adopted a torque transmission system that can adapt to the complex environment and terrain instead of the original push rod transmission system. And it has carried out a modular design for the entire bracket system, with each module designed with a stable self-locking mechanism, which has further upgraded the safety performance of the bracket products.

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

With the continuous reduction of high-quality project resources, it has become a new objective demand to solve the box-type transformer platform of surface power station. Therefore, the Group integrated resources, aggregated superior strength, combined with customers' needs and suggestions, and developed a floating water tank transformer installation platform with double buoyancy protection on the premise of safety and stability. The floating water surface box-type transformer installation platform adopts a sealed floating box with solid filling to provide double buoyancy protection; by simulating the ship's stability, the platform structure is optimized to make it have the ability of resisting wind and wave capsizing.

With the advancement of photovoltaic projects, fresh water surface resources are rapidly consumed, and the sea area with better offshore conditions has become the new focus of surface photovoltaic projects. In quick response to the market demand, the Group has made great efforts to develop floating photovoltaic brackets on the sea surface, and adopted a combination of new stainless steel materials resistant to complex seawater environment and new material painting and anticorrosion technology to create floating photovoltaic brackets suitable for the sea surface environment.

According to the different needs of market customers, the Group has comprehensively upgraded the technology of existing bracket products, and developed a full series of tracking control systems with various installation modes, power intake modes and communication modes. At the same time, aiming at the fixed adjustable bracket system, a tool-based and intelligent detachable adjustment system is designed, which can further save the bracket cost and reduce the labor cost on operation and maintenance.

The proposal of the targets of hitting peak carbon dioxide emissions before 2030 and achieving carbon neutrality before 2060, forecasts the arrival of the new energy era with solar photovoltaic power generation as the main driving force. While constantly innovating, Tonking New Energy strives to bring the most visible benefits and the most decent services to users. The Company has been adhering to the core values of “with Tonking New Energy, we creating and sharing together” and the vision “becoming an enterprise with global influence in the field of light energy”, and is committed to building green ecological intelligent photovoltaic power stations in the world, so that human beings can fully enjoy light energy!

FINANCIAL REVIEW

Revenue

For the six months ended 30 September 2021, the Group recorded an unaudited revenue of approximately HK\$153,130,000, representing a increase of approximately 141.2% compared with approximately HK\$63,490,000 of the corresponding period in 2020. The increase of revenue was mainly due to the policy of photovoltaic power generation on grid parity which lead to sales orders were significantly increased.

Contract Costs

The contract costs for the six months ended 30 September 2021 was approximately HK\$137,005,000 (2020: HK\$60,764,000). The costs were derived from the renewable energy business which was mainly attributable to the cost of construction materials and supplies, subcontracting charges and labour costs, transportation, machine and vehicle rental and other expenses.

Total administrative and other operating expenses

Total administrative and other operating expenses increased by approximately 11.9% to approximately HK\$13,202,000 for the six months ended 30 September 2021 from approximately HK\$11,799,000 for the corresponding period in 2020.

Staff costs

The staff costs decreased by approximately 5% to approximately HK\$2,572,000 for the six months ended 30 September 2021 from approximately HK\$2,714,000 for the corresponding period in 2020.

Depreciation and amortisation

Depreciation and amortisation decreased by approximately 13% to approximately HK\$1,684,000 for the six months ended 30 September 2021 from approximately HK\$1,946,000 for the corresponding period in 2020.

Finance costs

Finance costs increased by approximately 40% to approximately HK\$1,594,000 for the six months ended 30 September 2021 from approximately HK\$1,135,000 for the corresponding period in 2020.

Net profit for the period

For the six months ended 30 September 2021, the Group recorded a profit attributable to owners of the Company of approximately HK\$8,225,000 (2020: loss of approximately HK\$7,201,000).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 30 September 2021, the share capital and equity attributable to owners of the Company amounted to HK\$8,180,000 and approximately HK\$224,839,000 respectively (31 March 2021: HK\$8,180,000 and approximately HK\$213,318,000 respectively).

Cash position

As at 30 September 2021, the cash and cash equivalents of the Group amounted to approximately HK\$67,676,000 (31 March 2021: approximately HK\$24,428,000), representing an increase of approximately 177.0% as compared to that as at 31 March 2021.

Borrowing

As at 30 September 2021, borrowing of the Group amounted to approximately HK\$28,568,000 (31 March 2021: HK\$28,233,000).

During the period, the Group has borrowed a short-term bank loan amounted to approximately HK\$28,568,000 which bear interest rate of 5.5% per annum.

Gearing ratio

As at 30 September 2021, the gearing ratio of the Group was approximately 20% (31 March 2021: approximately 14%). 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. 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

There were no other significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2021.

Contingent Liabilities

As at 30 September 2021, the Group had no material contingent liabilities (31 March 2021: nil).

Capital Commitment

As at 30 September 2021, the Group had no capital commitment (31 March 2021: nil).

Employee and Emolument Policies

The Group had 97 employees (including Directors) as at 30 September 2021 (31 March 2021: 97 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 2021, 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 2021, 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 2021.

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 2021, 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 2021, 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 2021 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 2021, 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 2021.

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 2021.

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 2021 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 2021 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 2021

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

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).