



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)

INTERIM REPORT
2022



* For identification purpose only

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

The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and the subsidiaries (collectively, the “Group”) for the three and six months ended 30 September 2022, together with the unaudited comparative figures for the respective corresponding periods in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 September 2022

	<i>Notes</i>	Three months ended 30 September		Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	92,081	33,922	212,670	153,130
Contract costs and cost of sales	5	(81,473)	(27,023)	(189,416)	(137,005)
Gross profit		10,608	6,899	23,254	16,125
Other income	4	4,257	3,175	8,224	7,348
Administrative and other operating expenses		(5,001)	(6,782)	(12,788)	(13,202)
Finance cost		(901)	(834)	(1,821)	(1,594)
PROFIT BEFORE TAX	5	8,963	2,458	16,869	8,677
Income tax (expense)/credit	6	(1,576)	(81)	(4,609)	277
PROFIT FOR THE PERIOD		7,387	2,377	12,260	8,954
Attributable to:					
Owners of the Company		6,934	2,005	11,346	8,225
Non-controlling interests		453	372	914	729
		7,387	2,377	12,260	8,954

	Notes	Three months ended 30 September		Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY					
- Basic and diluted (HK cents)	7	0.85	0.25	1.39	1.00
PROFIT FOR THE PERIOD		7,387	2,377	12,260	8,954
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		(17,851)	(343)	(33,967)	3,298
Other comprehensive (expense)/income, net of tax		(17,851)	(343)	(33,967)	3,298
TOTAL COMPREHENSIVE (EXPENSE)/ INCOME FOR THE PERIOD		(10,464)	2,034	(21,707)	12,252
Attributable to:					
Owners of the Company		(9,607)	1,957	(20,123)	11,521
Non-controlling interests		(857)	77	(1,584)	731
		(10,464)	2,034	(21,707)	12,252

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 September 2022*

	Notes	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		33,288	38,328
Right-of-use assets		5,111	5,745
Intangible assets		4,016	4,960
Deferred tax assets		2,106	2,367
Total non-current assets		44,521	51,400
CURRENT ASSETS			
Inventories		22,117	13,796
Contract assets		38,379	37,848
Trade and bills receivables	9	198,462	208,380
Prepayments, deposits and other receivables		68,256	68,662
Due from related parties		253	284
Restricted bank deposits		16,674	8,237
Cash and cash equivalents		58,857	34,582
Total current assets		402,998	371,789
CURRENT LIABILITIES			
Contract liabilities		12,066	5,259
Trade and bills payables	10	55,675	53,029
Other payables and accruals		38,252	13,401
Matured promissory note		45,386	44,664
Due to related parties		11,010	11,010
Bank borrowings	11	47,253	40,761
Lease liabilities		29	33
Tax payable		5,628	848
Total current liabilities		215,299	169,005

		30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
	<i>Notes</i>		
NET CURRENT ASSETS		187,699	202,784
TOTAL ASSETS LESS CURRENT LIABILITIES		232,220	254,184
NON-CURRENT LIABILITIES			
Lease liabilities		2,071	2,328
Net assets		230,149	251,856
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	8,180	8,180
Reserves		201,325	221,448
		209,505	229,628
Non-controlling interests		20,644	22,228
Total equity		230,149	251,856

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 31 March 2022 (audited)	8,180	71,725	12,885	13,682	123,156	229,628	22,228	251,856
Profit for the period	-	-	-	-	11,346	11,346	914	12,260
Other comprehensive expenses for the period	-	-	-	(31,469)	-	(31,469)	(2,498)	(33,967)
Total comprehensive expenses for the period	-	-	-	(31,469)	11,346	(20,123)	(1,584)	(21,707)
At 30 September 2022 (unaudited)	8,180	71,725	12,885	(17,787)	134,502	209,505	20,644	230,149
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	-	-	-	3,296	8,225	11,521	731	12,252
At 30 September 2021 (unaudited)	8,180	71,725	11,101	6,165	127,668	224,839	23,402	248,241

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2022*

	<i>Notes</i>	Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net cash generated from operating activities		13,886	29,357
Net cash generated from/(used in) investing activities		5,256	(125)
Net cash generated from financing activities		5,133	14,016
Net increase in cash and cash equivalents		24,275	43,248
Cash and cash equivalents at beginning of the period		34,582	24,428
Cash and cash equivalents at end of the period		58,857	67,676
Analysis of balance of cash and cash equivalents:			
Cash and bank balances		58,857	67,676

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 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 701, 7th Floor, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

During the six months ended 30 September 2022, the Group was principally engaged in the renewable energy business in the People's Republic of China (the "PRC").

The unaudited condensed 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 2022 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 2022 are consistent with those adopted in the Group's annual financial statements for the year ended 31 March 2022, 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 2022. The unaudited condensed consolidated financial statements for the six months ended 30 September 2022 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 2022.

The unaudited condensed consolidated financial statements for the six months ended 30 September 2022 have been prepared under the historical cost convention.

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

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.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of these amendments to HKFRSs during the six months ended 30 September 2022 had no material impact on the Group’s financial performance and positions for the six months ended 30 September 2022 and 2021 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 2022.

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.

3. SEGMENT INFORMATION (Continued)

Geographic Information**Revenue from external customers**

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Mainland China	212,670	153,130
	212,670	153,130

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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer 1	46,569	N/A ¹
Customer 2	28,848	N/A ¹
Customer 3	28,042	N/A ¹
Customer 4	26,199	N/A ¹
Customer 5	23,383	N/A ¹
Customer 6	N/A ¹	47,983
Customer 7	N/A ¹	35,883
Customer 8	N/A ¹	29,328

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 2022. Substantially all of the Group's revenues from external customers for the six months ended 30 September 2022 and 30 September 2021 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 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue				
Construction contracts	92,081	33,922	212,670	153,130
	92,081	33,922	212,670	153,130
Other income				
Interest income	1,098	612	1,808	629
Others	3,159	2,563	6,416	6,719
	4,257	3,175	8,224	7,348

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Amortisation of intangible assets	200	223	416	443
Depreciation of right-of-use assets	-	1	-	2
Depreciation	566	614	1,170	1,239
Contract costs:				
Cost of construction materials and supplies	46,029	23,439	143,636	121,976
Subcontracting charges and labour cost	29,710	1,900	39,415	10,824
Transportation	699	240	878	598
Machine and vehicle rental expenses	775	305	955	1,824
Other expenses	4,260	1,139	4,532	1,783
	81,473	27,023	189,416	137,005

5. **PROFIT BEFORE TAX** (Continued)

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Employee benefits expenses (excluding directors' and chief executive's remuneration):				
Salaries, wages and other benefits	892	1,223	2,579	2,238
Retirement benefit scheme contributions	877	166	1,130	334
	1,769	1,389	3,709	2,572
Foreign exchange differences, net	(19)	12	(29)	1

6. **INCOME TAX EXPENSE**

	Three months ended 30 September		Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax - PRC	(1,576)	(81)	(4,609)	277
(Charge)/credit for the period	(1,576)	(81)	(4,609)	277

6. INCOME TAX EXPENSE (Continued)

Hong Kong

No provision for Hong Kong Profits Tax has been recognised in the condensed consolidated financial statements for the three and six months ended 30 September 2022 as the Group does not have any profit which arises in or is derived from Hong Kong (2021: Nil).

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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit for the period attributable to owners of the Company	6,934	2,005	11,346	8,225
Number of shares				
Weighted average number of shares	818,000	818,000	818,000	818,000

(b) The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in issue during the three and six months ended 30 September 2022 and 2021.

8. DIVIDENDS

No dividend has been paid or declared by the Company for the six months ended 30 September 2022 and 2021.

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 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Within 1 month	85,637	91,970
Over 1 month but less than 3 months	36,550	15,854
Over 3 months	76,275	100,556
	198,462	208,380

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

	2022 HK\$'000
At 1 April 2022	9,466
Movement in the period	(1,044)
At 30 September 2022	8,422

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 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Within 1 month	30,266	15,267
Over 1 month but less than 2 months	7,461	14,687
Over 2 months	17,948	23,075
	55,675	53,029

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 2022, short-term bank loans of the Group amounted to approximately HK\$47,253,000 (31 March 2022: HK\$40,761,000) which bear interest from 3.8% to 5.5% (31 March 2022: 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 2022 and 30 September 2022	2,000,000,000	20,000
Issued and fully paid:		
At 30 September 2022 (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	
	2022 HK\$'000 (Unaudited)	2021 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	295	371
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	178	186
	473	557

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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Short term employee benefits	710	828
Post-employment benefits	55	69
	765	897

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 2022, 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\$212,670,000 (the corresponding period in 2021: HK\$153,130,000), 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 767.3MW.

During the reporting period, new contracts were signed:

- (1) In April 2022, Tonking New Energy (Jiangshan) Limited and China Datang Group Technology Engineering Co., Ltd.* (中國大唐集團科技工程有限公司) entered into the Photovoltaic Power Generation Project in Datang Huaibei Wugou Coal Mining Subsidence Area
- (2) In April 2022, Tonking New Energy (Jiangshan) Limited and Baiyun Mingde (Beijing) International Engineering Management Co., Ltd.* (白雲明德(北京)國際工程管理有限公司) entered into the Kangbao Mounting Bracket Project (supplemental order)
- (3) In May 2022, Tonking New Energy (Jiangshan) Limited and China Energy Engineering Group Tianjin Electric Power Construction Co., Ltd.* (中國能源建設集團天津電力建設有限公司) entered into the Ningdu Photovoltaic Project at the Jiangxi Electric Power Fenyi Power Plant
- (4) In May 2022, Tonking New Energy (Jiangshan) Limited and Guangxi Shengjun Trading Co., Ltd.* (廣西昇俊貿易有限公司) entered into the 100MW Photovoltaic Power Generation Project in Nachen Town, Liangqing District, Guangxi
- (5) In May 2022, Tonking New Energy (Jiangshan) Limited and Zhonghe Huatai Construction Co., Ltd.* (中核華泰建設有限公司) entered into the Fishery and Photovoltaic Complementary Photovoltaic Power Generation Project in Qibu Town, Wanning County
- (6) In May 2022, Tonking New Energy (Jiangshan) Limited and Jiangshan Electric Power Development Co., Ltd.* (江山市電力發展有限責任公司) entered into the Rooftop Project in relation to Qibang Door Industry (旗邦門業)

- (7) In June 2022, Tonking New Energy (Jiangshan) Limited and Guangxi Shengjun Trading Co., Ltd.* (廣西昇俊貿易有限公司) entered into the Photovoltaic Power Generation Project in Nachen Town, Liangqing District, Guangxi (supplemental order)
- (8) In June 2022, Tonking New Energy (Jiangshan) Limited and Gansu Yanwei New Energy Co., Ltd.* (甘肅顏偉新能源有限公司) entered into the Intelligent Agricultural and Photovoltaic Complementary Photovoltaic Power Generation Project in Ganzhou District
- (9) In June 2022, Tonking New Energy (Jiangshan) Limited and Sungrow New Energy Development Co., Ltd.* (陽光新能源開發股份有限公司) entered into the Sungrow New Energy Tracking Bracket Project in Xuancheng
- (10) In June 2022, Tonking New Energy (Jiangshan) Limited and Jiangshan Power Development Co., Ltd.* (江山市電力發展有限責任公司) entered into the Rooftop Phase II Project of Kaiyang Wood
- (11) In June 2022, Tonking New Energy (Jiangshan) Limited and Jiangshan Power Development Co., Ltd.* (江山市電力發展有限責任公司) entered into the Jinkai Technology Distributed Photovoltaic Project in Jiangshan, Quzhou City
- (12) In June 2022, Tonking New Energy (Jiangshan) Limited and Kaihua Dianyou Electrical Engineering Co., Ltd.* (開化電友電氣工程有限公司) entered into the Rooftop Distributed Photovoltaic Power Generation Project of Zhejiang Jingma Machinery Co., Ltd.* (浙江精瑪機械有限公司) in Kaihua County, Quzhou City
- (13) In June 2022, Tonking New Energy (Jiangshan) Limited and Longyou Zelong Power Engineering Co., Ltd.* (龍游澤龍電力工程有限公司) entered into the Fishery and Photovoltaic Complementary Project in Donjin Village, Huzhen Town, Longyou County
- (14) In June 2022, Tonking New Energy (Jiangshan) Limited and China Resources Wind Power (Guangshui) Co., Ltd.* (華潤風電(廣水)有限公司) entered into the Photovoltaic Site Construction for the Phase I Photovoltaic Project of Wind and Solar Power Storage Integration of China Resources in Xiaochang
- (15) In September 2022, Tonking New Energy (Jiangshan) Limited and Guangxi Shengjun Trading Co., Ltd.* (廣西昇俊貿易有限公司) entered into the Baiji 50MW Mounting Bracket Project of Guangxi Construction Engineering Group NO.2 Installation Construction CO., Ltd.
- (16) In September 2022, Tonking New Energy (Jiangshan) Limited and the Joint-stock Economic Cooperative of Shangxi Village, Tanshi Town, Jiangshan City, Zhejiang Province* (浙江省江山市壇石鎮上溪村股份經濟合作社) entered into the Photovoltaic Project in Shangxi Village, Tanshi Town, Jiangshan City
- (17) In September 2022, Tonking New Energy (Jiangshan) Limited and Zhejiang Hengchang Industrial Group Co. Ltd.* (浙江恒昌實業集團有限公司) entered into the Hengchang 1188KW Rooftop Project
- (18) In September 2022, Tonking New Energy (Jiangshan) Limited and Longyou Zelong Power Engineering Co., Ltd.* (龍游澤龍電力工程有限公司) entered into the Power Station Project in Huzhen Town, Longyou County

* 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 2022, the Group recorded an unaudited revenue of approximately HK\$212,670,000, representing an increase of approximately 38.9% compared with approximately HK\$153,130,000 of the corresponding period in 2021. The increase of revenue was mainly due to the policy of photovoltaic power generation on grid parity which led to a significant increase in sales orders.

Contract Costs

The contract costs for the six months ended 30 September 2022 was approximately HK\$189,416,000 (2021: HK\$137,005,000). 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 decreased by approximately 3% to approximately HK\$12,788,000 for the six months ended 30 September 2022 from approximately HK\$13,202,000 for the corresponding period in 2021.

Staff costs

The staff costs increased by approximately 44% to approximately HK\$3,709,000 for the six months ended 30 September 2022 from approximately HK\$2,572,000 for the corresponding period in 2021.

Depreciation and amortisation

Depreciation and amortisation decreased by approximately 6% to approximately HK\$1,586,000 for the six months ended 30 September 2022 from approximately HK\$1,684,000 for the corresponding period in 2021.

Finance costs

Finance costs increased by approximately 14% to approximately HK\$1,821,000 for the six months ended 30 September 2022 from approximately HK\$1,594,000 for the corresponding period in 2021.

Net profit for the period

For the six months ended 30 September 2022, the Group recorded a profit attributable to owners of the Company of approximately HK\$11,346,000 (2021: profit of approximately HK\$8,225,000).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 30 September 2022, the share capital and equity attributable to owners of the Company amounted to HK\$8,180,000 and approximately HK\$209,505,000 respectively (31 March 2022: HK\$8,180,000 and approximately HK\$229,628,000 respectively).

Cash position

As at 30 September 2022, the cash and cash equivalents of the Group amounted to approximately HK\$58,857,000 (31 March 2022: approximately HK\$34,582,000), representing an increase of approximately 70% as compared to that as at 31 March 2022.

Borrowing

As at 30 September 2022, short-term bank loans of the Group amounted to approximately HK\$47,253,000 (31 March 2022: HK\$40,761,000) which bear interest from 3.8% to 5.5% (31 March 2022: 5.5%) per annum.

Gearing ratio

As at 30 September 2022, the gearing ratio of the Group was approximately 31% (31 March 2022: approximately 28%). 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 contract liabilities, trade and bills payables, other payables and accruals and tax payables.

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 2022.

Contingent Liabilities

As at 30 September 2022, the Group had no material contingent liabilities (31 March 2022: nil).

Capital Commitment

As at 30 September 2022, the Group had no capital commitment (31 March 2022: nil).

Employee and Emolument Policies

The Group had 116 employees (including Directors) as at 30 September 2022 (31 March 2022: 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 2022, 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 C.2.1 of the Code as described below.

Code provision C.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 C.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 2022, 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 2022.

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 2022, 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 2022, 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 2022 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:

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

Save as disclosed above, as at 30 September 2022, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

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

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

There was no option outstanding as at 30 September 2022.

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 2022.

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 D.3.3 and D.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 2022 and this report, and considered that the results and this report 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 2022 and up to the date of this report.

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, 11 November 2022

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

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Wu Jian Nong
(Chairman and Chief Executive Officer)
Ms. Shen Meng Hong
Mr. Xu Shui Sheng

Independent Non-executive Directors

Mr. Yuan Jiangang
Mr. Zhou Yuan
Ms. Wang Xiaoxiong

Company Secretary

Mr. Yuen Poi Lam William
(appointed on 22 June 2022)
Mr. Cheng Man For (resigned on 22 June 2022)

Authorised Representatives

Ms. Shen Meng Hong
Mr. Yuen Poi Lam William
(appointed on 22 June 2022)
Mr. Cheng Man For (resigned on 22 June 2022)

Audit Committee

Mr. Yuan Jiangang (Chairman)
Mr. Zhou Yuan
Ms. Wang Xiaoxiong

Remuneration Committee

Mr. Zhou Yuan (Chairman)
Mr. Yuan Jiangang
Ms. Wang Xiaoxiong

Nomination Committee

Ms. Wang Xiaoxiong (Chairman)
Ms. Shen Meng Hong
Mr. Zhou Yuan

Compliance Committee

Ms. Shen Meng Hong (Chairman)
Ms. Wang Xiaoxiong
Mr. Zhou Yuan

Registered Office

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Room 701, 7th Floor
Peninsula Centre
67 Mody Road
Tsimshatsui, Kowloon
Hong Kong

Principal Share Registrar and Transfer Office

Ocorian Trust (Cayman) Ltd.
Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Principal Banker

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Merchants Bank Company Limited

Auditors

Moore Stephens CPA Limited
Registered Public Interest Entity Auditor

Legal Adviser

As to Hong Kong law:
Li & Partners

Stock Code

8326

Company's Website

www.tonkinggroup.com.hk