



Northern New Energy Holdings Limited 北方新能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
08246.HK

2016 First Quarterly Report

二零一六年第一季度報告

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

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This report, for which the directors (the “Directors”) of Northern New Energy Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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.

Corporate Information

Board of Directors

Executive Directors

Mr. Hu Yishi (*Executive Chairman*)
Ms. Lin Min, Mindy (*Chairman*)
Mr. Chan Wing Yuen, Hubert (*Chief Executive Officer*)
Ms. Kwong Wai Man, Karina

Independent non-executive Directors

Mr. Lui Tin Nang
Ms. Ma Lee
Mr. Wang Zhi Zhong

Company Secretary

Ms. Chan Wai Yee

Compliance Officer

Mr. Chan Wing Yuen, Hubert

Board Committees

Audit Committee

Mr. Lui Tin Nang (*Chairman*)
Ms. Ma Lee
Mr. Wang Zhi Zhong

Remuneration Committee

Mr. Lui Tin Nang (*Chairman*)
Ms. Lin Min, Mindy
Ms. Ma Lee
Mr. Wang Zhi Zhong

Nomination Committee

Ms. Lin Min, Mindy (*Chairman*)
Mr. Lui Tin Nang
Ms. Ma Lee
Mr. Wang Zhi Zhong

Authorised Representatives

Mr. Chan Wing Yuen, Hubert
Ms. Kwong Wai Man, Karina

Registered Office

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Principal Place of Business in Hong Kong

Rm 2202, 22/F,
Chinachem Century Tower,
178 Gloucester Road,
Wan Chai,
Hong Kong

Share Registrar and Transfer Office in Cayman Islands

Codan Trust Company (Cayman) Limited

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Hong Kong Share Registrar

Boardroom Share Registrars (HK) Limited

31/F, 148 Electric Road,
North Point,
Hong Kong

Legal Adviser to the Company

K&L Gates
Conyers Dill & Pearman

Auditor

Deloitte Touche Tohmatsu

Principal Banker

The Hong Kong & Shanghai Banking Corporation Limited
Huaxia Bank
Shanghai Pudong Development Bank
Industrial and Commercial Bank of China
Bank of Communications Co., Ltd

Company Website

<http://www.8246hk.com>

GEM Stock Code

8246

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2016 (the “Current Period”), together with the unaudited comparative figures for the three months ended 31 March 2015 (the “Previous Period”) as follows:

Financial Highlights

	For the three months ended 31 March		Increase
	2016 RMB'000	2015 RMB'000 (restated)	
Revenue	24,330	16,258	49.6%
Gross profit ^(a)	10,010	1,663	502.0%
Profit (loss) and total comprehensive income (expense) for the period	2,816	(6,789)	141.5%
Profit (loss) and total comprehensive income (expense) attributable to the owners of the Company	2,345	(6,714)	134.9%
Dividend	Nil	Nil	
EBIT	4,325	(6,789)	163.7%
EBITDA	5,073	(5,909)	185.9%
Earnings (loss) per share			
Basic	RMB0.005	RMB(0.020)	125.0%
Diluted	RMB0.005	RMB(0.020)	125.0%

Key Financial Indicators

Gross profit margin ^(b)	41.1%	10.2%
Net profit (loss) margin ^(c)	11.6%	(41.8%)

Note:

- The calculation of gross profit is based on revenue minus cost of sales.
- The calculation of gross profit margin is based on gross profit divided by revenue.
- The calculation of net profit (loss) margin is based on profit (loss) and total comprehensive income (expense) for the period divided by revenue.

Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2016

	NOTES	Three months ended	
		31.3.2016 RMB'000 (unaudited)	31.3.2015 RMB'000 (unaudited) restated
Revenue	3	24,330	16,258
Cost of sales		(14,320)	(14,595)
Gross profit		10,010	1,663
Other income	3	34	3
Other gains and losses		605	(740)
Selling and distribution expenses		(1,171)	(1,526)
Administrative expenses		(4,460)	(4,087)
Other expenses		(2,472)	(1,941)
Gain on disposal of subsidiaries	4	603	–
Reversal of impairment loss (impairment loss) recognised on inventories		1,176	(161)
Profit (loss) before tax	5	4,325	(6,789)
Income tax expense	6	(1,509)	–
Profit (loss) and total comprehensive income (expense) for the period		2,816	(6,789)
Profit (loss) and total comprehensive income (expense) attributable to:			
– the owners of the Company		2,345	(6,714)
– non-controlling interests		471	(75)
		2,816	(6,789)
Earnings (loss) per share	7		
Basic		RMB0.005	RMB(0.020)
Diluted		RMB0.005	RMB(0.020)

Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2016

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Share option reserve	(Accumulated losses) retained profit	Special reserve	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2015 (audited)	2,735	59,450	8,348	(43,707)	528	27,354	(2,708)	24,646	
Loss and total comprehensive expense for the period	-	-	-	(6,714)	-	(6,714)	(75)	(6,789)	
Shares issued upon exercise of share options	102	11,897	(3,722)	-	-	8,277	-	8,277	
Cost of issuing new shares	-	(119)	-	-	-	(119)	-	(119)	
At 31 March 2015 (unaudited)	2,837	71,228	4,626	(50,421)	528	28,798	(2,783)	26,015	
At 1 January 2016 (audited)	3,470	-	4,551	105,438	528	113,987	3,690	117,677	
Profit and total comprehensive income for the period	-	-	-	2,345	-	2,345	471	2,816	
At 31 March 2016 (unaudited)	3,470	-	4,551	107,783	528	116,332	4,161	120,493	

Notes to the Condensed Consolidated Financial Statements

For the three months ended 31 March 2016

1. GENERAL INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The Company's shares are listed on the GEM of the Stock Exchange since 30 December 2011. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principle place of business in Hong Kong is Room 2202, 22/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding Company. The Group is principally engaged in the new energy development business, research & development on its relevant technologies and construction engineering ("New energy business"); The Group also participated in the operation of restaurants, provision of management services, sale of processed food and seafood ("Catering business"); and has expanded to property investment business ("Property investment").

During the three months ended 31 March 2016, for enhancing the relevance of the presentation of the condensed consolidated financial statement, the Directors of the Company had changed its presentation of the condensed consolidated statement of comprehensive income in accordance with IAS 1 Presentation of Financial Statements and the corresponding comparative amounts shown for the condensed consolidated statement of comprehensive income and related notes had been restated to conform with the Current Period's presentation.

2. BASIS OF PREPARATION

The First Quarterly condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) Interim Financial Reporting as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis. The principal accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2015 except in relation to the new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board that are adopted for the first time for the Current Period's financial statements. The adoption of these new and revised IFRSs has had no material impact on the unaudited condensed consolidated financial statements.

The Group has not early adopted any new IFRSs that have been issued but are not yet effective.

The First Quarterly condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Group.

3. REVENUE AND OTHER INCOME

	Three months ended	
	31.3.2016	31.3.2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		restated
Revenue		
Catering business	16,780	16,258
New energy business	7,510	–
Property investment	40	–
	24,330	16,258
Other income		
Interest income	34	3

4. GAIN ON DISPOSAL OF SUBSIDIARIES

During the three months ended 31 March 2016, the Group disposed its entire equity interest in Noblehouse Food Trading Company Limited and its subsidiary (“Noblehouse Food Trading Group”) to an independent third-party at a consideration RMB421,000 (equivalent to HKD500,000). Noblehouse Food Trading Group is principally engaged in the trading of processed foods. The disposal was completed on 31 March 2016, on which date the Group lost control of Noblehouse Food Trading Group.

The net liabilities of Noblehouse Food Trading Group at the date of disposal were as follows:

	Three months ended
	31.3.2016
	RMB'000
	(unaudited)
Net liabilities disposed of	183
Add: consideration received	421
Less: exchange loss associated during disposal	(1)
Gain on disposal of subsidiaries	603

5. PROFIT (LOSS) BEFORE TAX

	Three months ended	
	31.3.2016 RMB'000 (unaudited)	31.3.2015 RMB'000 (unaudited)
Profit (loss) before tax has been arrived after charging the following:		
Directors' emoluments	1,074	748
Salaries and other allowances	4,942	5,274
Retirement benefit scheme contributions, excluding those of Directors	818	1,235
	6,834	7,257
Depreciation of property, plant and equipment	748	880

6. INCOME TAX EXPENSE

	Three months ended	
	31.3.2016 RMB'000 (unaudited)	31.3.2015 RMB'000 (unaudited)
Enterprise income tax in the PRC:		
Current Period income tax	1,509	–

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated profit. No provision for Hong Kong Profits Tax has been made as the Group's subsidiaries have no assessable profit arising in or derived from Hong Kong for both periods.

PRC

PRC subsidiaries were subject to PRC Enterprise Income Tax ("EIT") at a rate of 25% for the three months ended 31 March 2016 and 2015.

7. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Three months ended	
	31.3.2016	31.3.2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit (loss) and total comprehensive income/(expense) for the period attributable to the owners of the Company for the purposes of basic and diluted earnings (loss) per share	2,345	(6,714)

The average number of ordinary shares for the purpose of calculation of diluted earnings (loss) per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings (loss) per share as follows:

	31.3.2016	31.3.2015
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of shares used in the calculation of basic earnings (loss) per share	429,160	340,693
Shares deemed to be issued in respect of:		
– Share options	11,701	–
Weighted average number of shares used in the calculation of diluted earnings (loss) per share	440,861	340,693

The weighted average number of ordinary shares for the purposes of calculating basic and diluted loss per share had been adjusted for the 12,900,000 shares allotted pursuant to exercise of share options during the three months ended 31 March 2015.

No adjustment had been made to the diluted loss per share presented for the three months ended 31 March 2015 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share.

8. DIVIDEND

No dividend has been paid or proposed by the Group for the three months ended 31 March 2016 and 2015.

9. RESERVES

Movement in the reserves of the Group during the three months ended 31 March 2016 and 2015 are set out in the condensed consolidated statement of changes in equity on page 5.

Management Discussion and Analysis

BUSINESS REVIEW

The Group has been adopting a prudently aggressive approach with stringent procedures to more effectively manage business risk. Apart from boosting its efforts to develop the New energy business, the Group has maintained the existing operations of the restaurant and processed food businesses, as well as continuously explored investment projects which can provide stable returns.

New Energy Business

With the establishment and commencement of operations of Hua Xia Northern New Energy Technology Development (Tianjin) Limited (“Hua Xia Northern New Energy”), and the encouraging results that it has achieved, the Group has clearly set the New energy business as the focus of its future business development.

Moreover, on 15 March 2016, Hua Xia Northern New Energy has signed a Letter of Intent with 天津市津熱供熱集團有限公司 (“Tianjin Jinre Heat Company Ltd*”); 中海石油氣電集團有限責任公司 (“CNOOC Gas & Power Group*”); 天津市鼎旺物業服務有限公司 (“Tianjin Ding Wang Property Services Company Ltd*”) and 天津城西供熱有限公司 (“Tianjin Chengxi Heat Supply Co., Ltd*”). The parties intend to collaborate and invest in the establishment of a JV Company, 天津津熱華夏新能源發展有限公司 (“Tianjin Jinre Hua Xia New Energy”/“JV Company”) for the Liquefied Natural Gas (LNG) Heat Supply and Integrated Utilisation Project located in Xinkou Town, Xiqing District in Tianjin. The total amount to be invested in the project is RMB50 million; Hua Xia Northern New Energy is to own 20% of interest in the JV Company. The project will leverage the advantage of clean energy and develop other fields such as gas filling stations for vehicles, natural gas supply for industrial and civil use, and integrated utilisation of LNG cold energy based on the conditions in the region. Currently, the parties are discussing about the details for cooperation. All resources of the project company are to be provided by CNOOC Gas & Power Group, which should help maximise the gains of the project company.

Catering Business

As at 31 March 2016, we owned and operated six restaurants under the Group’s own brand name “Noble House (名軒)” in Shanghai and Beijing in the PRC. We also operated a restaurant in Ningbo in the form of an associate company. Apart from these restaurants, we operated a food trading company, Shanghai Yin Jia Food Products Company Limited (“Yin Jia”), primarily established to provide food production services to the Group’s restaurants. In addition, Yin Jia was engaged in the trading of seafood and supplemental food products including, among others, spicy XO sauce with crab meat, crab-roe, processed abalone and braised meat, under the Group’s own brand name “Noble House (名軒),” for supply to the Group’s restaurants and retail shops in Shanghai and Hong Kong. As the PRC government has promoted the “frugality” culture, the habits and consumption patterns of the wealthy customers and enterprises for banquets and catering in the PRC have been changing, thus, the Group’s operating income has recorded a continuous decrease.

During the period, the Group had disposed of its entire investment of Noblehouse Food Trading Company Limited and its subsidiary (“Noblehouse Food Trading Group”) to an independent third-party at a gross consideration of RMB0.4 million (equivalent to HKD0.5 million). The Noblehouse Food Trading Group is engaged in the trading of processed foods. The loss of Noblehouse Food Trading Group for the Current Period was RMB0.5 million (loss for 2015: RMB1.6 million). The Group recognised a gain of RMB0.6 million on the disposal of Noblehouse Food Trading Group.

Besides, the Group has signed two external operation contracting agreements (“Operation Contracts”) with two independent contractors (“Contractors”) for two restaurants in Shanghai and Beijing respectively, effective on 1 January 2016 for 12 months. According to the Operation Contracts, the operation and management rights of all of the businesses of the two restaurants has been passed to the Contractors

Note:

* No official English name of the company is available.

during the contracting period and the Contractors shall operate and manage the restaurants, assume operational risks and receive all corporate earnings. However, the above arrangement does not alter the existing business, nor change the legal status, name and business scope of the two restaurants.

Property Investment

The Group held an investment property located at Room 609, No. 1701 Beijing Road West, Jing An District, Shanghai. During the Current Period, the Group entered into a mutual agreement with the previous tenants to terminate their rental agreement for them to vacate the premises before expiry. Subsequently, the Group has signed a new rental agreement in March 2016 for a lease of two years. The property has continued to contribute for a stable rental income to the Group.

Proposed Share Subdivision and Amendments to the Articles of Association

On 15 March 2016, the Company proposed to implement a share subdivision on the basis that every one issued and unissued ordinary share of HK\$0.01 each in the share capital of the Company would be subdivided into eight subdivided shares of HK\$0.00125 each ("Share Subdivision"). The Company also proposed to change the board lot size for trading in the subdivided shares of the Company from 4,000 shares to 8,000 subdivided shares upon the Share Subdivision becoming effective. The Company further proposed a special resolution to update the Memorandum and to make certain amendments to the Articles of Association. The Share Subdivision and the amendments to the Memorandum and Articles of Association are subject to the shareholders' approval at the forthcoming annual general meeting of the Company to be held on 19 May 2016*. Further announcement in respect of the completion of the Share Subdivision are to be made by the Company.

FINANCIAL REVIEW

Revenue

For the Current Period, revenue of the Group amounted to RMB24.3 million, representing a sharp increase of 49.6% from RMB 16.3 million for the Previous Period. The increase in revenue was mainly attributable to the revenue of RMB7.5 million generated from the Group's new stream of income in the New energy business during the Current Period.

New Energy Business

The Group successfully established a subsidiary in Tianjin, Hua Xia Northen New Energy last year, and has clearly defined the New energy business as the focus of its future business development. During the Current Period, the Group recognized revenue of RMB7.5 million from the New energy business segment, accounting for 30.9% of the Group's total revenue. It was mainly attributable to the income generated from the operation for the coal-to-natural gas conversion heating in Xiqing District and Beichen District in Tianjin during the Current Period.

Catering Business

The Group's operation of Catering business in Shanghai and Beijing continued to contribute steady revenue to the Group. During the Current Period, the Group recorded revenue of RMB16.8 million from the operation of Catering business segment as compared to RMB16.3 million in the Previous Period. The revenue from Catering business included RMB12.0 million from operating of restaurants, RMB4.2 million from sales of processed food and seafood products, RMB0.4 million from the external operation contracting and RMB0.2 million from the provision of management services. The increase in revenue was mainly generated from the external operation contracting fee of RMB0.4 million, and an increase in sales of seafood and processed supplemental food products. We will insist on our pursuit for perfection and implementation of swift adjustments to strategies in response to market demands in order to expand customer base.

Note:

- * Please refer to the announcement of the Company dated 15 March 2016 and the circular dated 13 April 2016 for more details.

Property Investment

During the Current Period, Property investment segment recorded a turnover of RMB0.04 million.

Cost of Sales

The cost of sales for Catering business in the Current Period decreased by 8.8% from RMB14.6 million to RMB13.3 million, was mainly as a result of effective cost reduction and control measures plus having adopted an optimized business model. The cost of sales for the New energy business amounting to RMB1.0 million, including direct labor cost and raw materials related to heating supply.

Gross profit margin

Gross profit represents the revenue less cost of sales. The gross profit margin for the Catering business increased from 10.2% to 20.7%, the increase reflected an effective cost reduction and control measures plus having adopted an effective optimized business model. The New energy business segment and Property investment segment recorded gross profit margin of 86.6% and 100% respectively.

Other gains and losses

Other gains of RMB0.6 million recorded in the Current Period compared to other losses of RMB0.7 million in the Previous Period were mainly due to reverse of overprovision of rental expenses.

Administrative and other expenses

The administrative and other expenses increased by 15.0% from RMB6.0 million for the Previous Period to RMB6.9 million for the Current Period. The increase reflected the one off staff redundancy cost of Catering business during the Current Period.

Income tax expense

Income tax expense for the Current Period was RMB1.5 million (Previous Period: Nil). It was mainly derived from the provision for EIT of a subsidiary in Tianjin.

Non-controlling interests

The non-controlling interests recorded a gain of RMB0.5 million in the Current Period as compared to a loss of RMB0.08 million in the Previous Period. This was mainly attributable to an operating profit recorded by the non-wholly owned subsidiary in Tianjin in the Current Period.

Profit (loss) and comprehensive income (expense) attributable to the owners of the Company

The net profit and comprehensive income attributable to the owners of the Company for the Current Period amounted to RMB2.3 million, as compared to the net loss and comprehensive expense attributable to the owners of the Company amounted to RMB6.7 million in the Previous Period. The basic and diluted earnings per share for the Current Period was both RMB0.5 cents, as compared to the basic and diluted loss per share of RMB2 cents in the Previous Period.

PROSPECTS

During the Current Period, the Group has proactively responded to the changes of the business environment by capturing market opportunities while actively exploring potential new income sources apart from the Catering business. The Group has implemented a series of strategic plans during the past year to capture the immense potential of China's new energy market. Since establishing Hua Xia Northern New Energy it has launched new energy-related businesses. Last year the Group has also strengthened its management team. Through the leadership of its stronger management team, the Group has forged

close cooperative relationships with a number of companies so as to jointly develop new energy-related businesses. Although the first quarter is the annual slow season of coal-to-natural gas projects, several projects for coal-to-natural gas conversion heating in Xiqing District and Beichen District in Tianjin completed during the Current Period have contributed a new profit stream exceeding the performance of its Catering business in the Current Period.

The Group believes that a strong demand for coal-to-natural gas conversion heating projects exists in Northern China, therefore it will seek opportunities to expand into neighbouring areas. In the long run, the Group will analyze the nationwide situation, and allocate resources to areas with greater development potential. To boost the development of its New energy business, it will review its business model and launch services and products to address market needs at the appropriate time, with the aim to extend its business further along the industry chain and capture the enormous market opportunities. With this aim in mind, the Group has signed a Letter of Intent with its industry partners to collaborate and invest in the establishment of a JV Company for liquefied natural gas (LNG) heat supply and an integrated utilisation project located in Xinkou Town, Xiqing District in Tianjin. The project will leverage the Group's advantage in clean energy and develop other segments such as gas filling stations for vehicles, and natural gas supply for industrial use as well as for offices and residents, and integrated utilisation of LNG cold energy based on the conditions in the region. New energy sources are playing a pivotal role as the nation and the world attaches increasing importance to climate change and environmental protection. The Group is systematically developing a comprehensive new energy business by capitalising on the current growth momentum in order to create greater returns for our shareholders.

As for the Catering business, the Group will closely monitor market developments and make adjustments accordingly, while optimising its business model, which will include methods such as outsourcing, with an aim to reduce losses. The Group will also maintain strict control over costs in order to reduce operating costs.

In addition, the Group will continue to explore new business areas and market opportunities to develop in different sectors with solid growth potential, within which it will identify suitable investment properties that can generate stable rental income and thereby utilise its resources more efficiently.

CAPITAL STRUCTURE

As at 31 March 2016, the Company had an aggregate of 429,160,000 shares of HK\$0.01 each in issue.

During the Previous Period, 12,900,000 shares were allotted pursuant to the exercise of share options with exercise price of HK\$0.81 granted on 25 November 2014. On 31 March 2015, up on the exercise of share options, the Company had an aggregate of 348,900,000 shares of HK\$0.01 each in issue.

DIVIDENDS

The Board did not recommend the payment of any dividend for the Current Period (Previous Period: Nil).

FOREIGN CURRENCY EXPOSURE

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB, with some denominated in Hong Kong dollars. The Group's cash and bank deposits were denominated mainly in Hong Kong dollars, with some denominated in RMB. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact on the Group. As at 31 March 2016, the Directors considered the Group's foreign exchange risk currently remained minimal. During the Current Period, the Group did not use any financial instruments for hedging purposes (Previous Period: Nil).

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the disclosure in note 4 of the condensed consolidated financial statements, there were no significant investments held, material acquisitions or disposal of subsidiaries and affiliated companies during the Current Period. There is no plan for material investments or capital assets as the date of this report.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Scheme is valid and effective for a period of 10 years commencing on 12 December 2011 and may continue to be exercisable in accordance with their terms of issue. The Board may grant options to Directors and eligible employees of the Company or its subsidiaries to subscribe for shares in the Company at a consideration equal to the higher of the closing price of the shares of the Company on the Stock Exchange at the date of offer of grant and the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the options. Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1. Options may be exercised at any time from the date of grant of the share option up to the tenth anniversary of the date of grant as determined by the Directors at their discretion. The maximum number of shares of the Company in respect of which options may be granted, when aggregated with any other share option scheme of the Company, shall not exceed 30% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the Scheme. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 10% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

During the year 2014, the Company has granted 28,000,000 share options to the Company's Directors, consultants and employees at the exercise price of HK\$0.81 per option share. As at 31 March 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 14,840,000 (31 March 2015: 15,100,000), representing 3.5% (31 March 2015: 4.3%) of the shares of the Company in issue at that date. Details of the movements of share options granted, exercised or cancelled/lapsed during the review period and outstanding as at 31 March 2016 are as follows:

	Number of share options					Exercise period (both dates inclusive)	Exercise Price HK\$	Closing price immediately before the date of grant HK\$
	At 1 January 2016	Granted during the period	Exercised during the period	Cancelled/ lapsed during the Period	Outstanding as at 31 March 2016			
Directors								
Ms. Lin Min, Mindy	2,800,000	-	-	-	2,800,000	25 November 2014 to 24 November 2021	0.81	0.97
Mr. Chan Wing Yuen, Hubert	2,800,000	-	-	-	2,800,000	25 November 2014 to 24 November 2021	0.81	0.97
Ms. Kwong Wai Man, Karina	2,800,000	-	-	-	2,800,000	25 November 2014 to 24 November 2021	0.81	0.97
Mr. Lui Tin Nang	280,000	-	-	-	280,000	25 November 2014 to 24 November 2021	0.81	0.97
Ms. Ma Lee	280,000	-	-	-	280,000	25 November 2014 to 24 November 2021	0.81	0.97
Mr. Wang Zhi Zhong	280,000	-	-	-	280,000	25 November 2014 to 24 November 2021	0.81	0.97
Total Directors	9,240,000	-	-	-	9,240,000			
Employees	5,600,000	-	-	-	5,600,000	25 November 2014 to 24 November 2021	0.81	0.97
Total Employees	5,600,000	-	-	-	5,600,000			
Total All Categories	14,840,000	-	-	-	14,840,000			

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 31 March 2016, the interests and short positions of the Directors and chief executives of the Company in the ordinary shares (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise 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 position in ordinary shares of HK\$0.01 each of the Company

Name of Director	Notes	Nature of Interest	Number of shares	Percentage of the Company's issued share capital
Mr. Hu Yishi	1	Interest of controlled corporation	56,000,000	13.05%
Ms. Lin Min, Mindy	2	Interest of controlled corporation	56,000,000	13.05%

Notes:

- Mr. Hu Yishi is deemed to be interested in 56,000,000 Shares held by Smart Lane Global Limited, a subsidiary of Yuan Rong Century Investment Holdings Limited ("Yuan Rong"), where the entire issued share capital of which is held by Mr. Hu Yishi.
- Ms. Lin Min, Mindy is deemed to be interested in 56,000,000 Shares held by Uprise Global Investments Limited, a company 100% controlled by Ms. Lin Min, Mindy.

Long position in the underlying shares of equity derivatives of the Company

Name of Director	Nature of Interest	Number of underlying shares (note)
Ms. Lin Min, Mindy	Beneficial owner	2,800,000
Mr. Chan Wing Yuen, Hubert	Beneficial owner	2,800,000
Ms. Kwong Wai Man, Karina	Beneficial owner	2,800,000
Mr. Lui Tin Nang	Beneficial owner	280,000
Ms. Ma Lee	Beneficial owner	280,000
Mr. Wang Zhi Zhong	Beneficial owner	280,000

Note:

The share options were granted by the Company to Directors on 25 November 2014 at the exercise price of HK\$0.81 per option share, which are outstanding as shown under the section "Share Option Scheme" of this report.

Saved as disclosed above, at 31 March 2016, none of the Directors or chief executives of the Company or their respective associates had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Directors' Interests in Competing Business

For the Current Period, the Directors were not aware of any business or interest of the Directors, the management Shareholder and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

Deed of Non-Competition

The deed of non-competition was no longer applied during the Current Period. Each of the controlling shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under a deed of non-competition dated 12 December 2011 during the Previous Period. However, the deed of non-competition was no longer applied when the covenantors' interest in shares of the Company had dropped below 30% of the entire issued share capital of the Company since 10 March 2015.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2016, so far as is known to the Directors, the following persons, not being Directors or chief executives of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Long position – Ordinary shares and underlying shares

Name	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital
Depot Up Limited (Note 1)	Beneficial owner	80,000,000	18.64%
Song Zhi Cheng (Note 2)	Interest of controlled corporation	80,000,000	18.64%
Smart Lane Global Limited (Note 3)	Beneficial owner	56,000,000	13.05%
Uprise Global Investments Limited (Note 4)	Beneficial owner	56,000,000	13.05%
Blossom Merit Limited (Note 5)	Beneficial owner	37,040,000	8.63%
Chan Tai Neng (Note 6)	Interest of controlled corporation	37,040,000	8.63%
Rosy Deal Group Limited (Note 7)	Beneficial owner	28,000,000	6.52%
Ms. Miao Kun Yu (Note 8)	Interest of controlled corporation	28,000,000	6.52%

Notes:

1. Depot Up Limited, a company incorporated in the Republic of Seychelles on 23 February 2015 with limited liability is an investment holding company where the entire issued share capital of which is held by Mr. Song Zhi Cheng.
2. Mr. Song Zhi Cheng is deemed to be interested in 80,000,000 shares through his interest in Depot Up Limited.
3. Smart Lane Global Limited, a company incorporated in Samoa on 19 February 2014 with limited liability and is an investment holding company which is a subsidiary of Yuan Rong where the entire issued share capital of which is held by Mr. Hu Yishi is executive Director and Executive Chairman.
4. Uprise Global Investments Limited, a company incorporated in the British Virgin Islands on 19 December 2013 with limited liability is an investment holding company where the entire issued share capital of which is held by Ms. Lin Min, Mindy and executive Director and Chairman.
5. Blossom Merit Limited, a company incorporated in British Virgin Islands on 6 July 2011 with limited liability is an investment holding company where the entire issued share capital of which is held by Mr. Chan Tai Neng and Mr. Cheung Chi Keung (both being former executive Directors) in the proportion of 90% and 10% respectively as at the 31 March 2016.
6. Mr. Chan Tai Neng is deemed to be interested in 37,040,000 shares held by Blossom Merit Limited. The issued share capital of Blossom Merit Limited is owned 90% by Mr. Chan Tai Neng and 10% by Mr. Cheung Chi Keung, (both being former executive Directors).
7. Rosy Deal Group Limited, a company incorporated in Samoa on 14 October 2014 with limited liability is an investment holding company where the entire issued share capital of which is held by Ms. Miao Kun Yu.
8. Ms. Miao Kun Yu is deemed to be interested in 28,000,000 shares through her interests in Rosy Deal Group Limited.

During the Current Period, there were no debt securities issued by the Group and the Company at any time. Save as disclosed above, as at 31 March 2016, the Directors are not aware of any other person other than the Directors and the chief executives of the Company who had, or was deemed to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections “Share Option Scheme” and “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures of the Company” above, at no time during the three months ended 31 March 2016 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the Current Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

To the best knowledge of the Board, the Company had complied with the Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules throughout the Current Period.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) pursuant to a resolution of the Directors passed on 12 December 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph C.3.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. As at 31 March 2016, the Audit Committee has three members comprising all the independent non-executive Directors, namely Mr. Lui Tin Nang (chairman), Ms. Ma Lee and Mr. Wang Zhi Zhong.

The Audit Committee had reviewed the unaudited first quarterly financial statements for the Current Period and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

By order of the Board
Northern New Energy Holdings Limited
Chan Wing Yuen, Hubert
Chief Executive Officer and Executive Director

Hong Kong, 11 May 2016

As at the date of this report, the executive Directors are Mr. Hu Yishi, Ms. Lin Min, Mindy, Mr. Chan Wing Yuen, Hubert and Ms. Kwong Wai Man, Karina; and the independent non-executive Directors are Mr. Lui Tin Nang, Ms. Ma Lee and Mr. Wang Zhi Zhong.