



# 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 Third Quarterly Report

二零一六年第三季度報告

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

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

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

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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 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.*

# Corporate Information

## Board of Directors

### Executive Directors

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

Mr. Lui Tin Nang (*Chairman*)  
Ms. Lin Min, Mindy  
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 Advisers to the Company

K&L Gates  
Angela Ho & Associates  
Conyers Dill & Pearman

## Auditor

Deloitte Touche Tohmatsu

## Principal Bankers

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

# Financial Highlights

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 nine months ended 30 September 2016 (the “Current Period”), together with the unaudited comparative figures for the nine months ended 30 September 2015 (the “Corresponding Period”) as follows:

	Three months ended		(Decrease)	Nine months ended		Increase
	30.9.2016 RMB'000	30.9.2015 RMB'000 (restated)		30.9.2016 RMB'000	30.9.2015 RMB'000 (restated)	
Revenue	<b>12,587</b>	16,452	(23.5%)	<b>73,751</b>	51,344	43.6%
Gross profit <sup>(a)</sup>	<b>1,725</b>	2,811	(38.6%)	<b>36,246</b>	6,266	478.5%
Profit (loss) and total comprehensive income (expense) for the period	<b>(4,413)</b>	(1,722)	(156.3%)	<b>15,714</b>	(13,761)	214.2%
Profit (loss) and total comprehensive income (expense) attributable to the owners of the Company	<b>(4,324)</b>	(1,625)	(166.1%)	<b>13,715</b>	(13,438)	202.1%
Dividend	Nil	Nil		Nil	Nil	
E (L) BIT	<b>(4,409)</b>	(1,722)	(156.0%)	<b>23,041</b>	(13,761)	267.4%
E (L) BITDA	<b>(3,741)</b>	(820)	(356.2%)	<b>25,158</b>	(11,079)	327.1%
Earnings (loss) per share						
Basic	<b>RMB(0.13) cents</b>	RMB(0.05) cents	(160.0%)	<b>RMB0.40 cents</b>	RMB(0.45) cents	188.9%
Diluted	<b>RMB(0.13) cents</b>	RMB(0.05) cents	(160.0%)	<b>RMB0.39 cents</b>	RMB(0.45) cents	186.7%

Key Financial Indicators	Three months ended		Nine months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
Gross profit margin <sup>(a)</sup>	<b>13.7%</b>	17.1%	<b>49.1%</b>	12.2%
Net profit (loss) margin <sup>(c)</sup>	<b>(35.1%)</b>	(10.5%)	<b>21.3%</b>	(26.8%)

## Notes:

- 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 Profit or Loss and Other Comprehensive Income (Unaudited)

For the three months and nine months ended 30 September 2016

	Notes	Three months ended		Nine months ended	
		30.9.2016 RMB'000 (unaudited)	30.9.2015 RMB'000 (unaudited) (restated)*	30.9.2016 RMB'000 (unaudited)	30.9.2015 RMB'000 (unaudited) (restated)*
Revenue	3	<b>12,587</b>	16,452	<b>73,751</b>	51,344
Cost of sales		<b>(10,862)</b>	(13,641)	<b>(37,505)</b>	(45,078)
Gross profit		<b>1,725</b>	2,811	<b>36,246</b>	6,266
Other income	3	<b>27</b>	4	<b>1,008</b>	919
Other gains		<b>570</b>	3,520	<b>2,024</b>	2,647
Administrative expenses		<b>(3,906)</b>	(4,150)	<b>(11,358)</b>	(11,430)
Selling and distribution expenses		<b>(1,502)</b>	(1,443)	<b>(4,182)</b>	(4,378)
Other expenses		<b>(1,323)</b>	(2,622)	<b>(7,003)</b>	(6,759)
Gain on disposal of subsidiaries	4	–	–	<b>5,149</b>	–
Loss on liquidation of a subsidiary		–	–	–	(865)
Reversal of (impairment loss) recognised on inventories		–	–	<b>1,176</b>	(161)
Impairment loss reversed/ (recognised) in respect of amount due from an associate		–	158	<b>(19)</b>	–
Profit (loss) before tax	5	<b>(4,409)</b>	(1,722)	<b>23,041</b>	(13,761)
Income tax expense	6	<b>(4)</b>	–	<b>(7,327)</b>	–
Profit (loss) and total comprehensive income (expense) for the period		<b>(4,413)</b>	(1,722)	<b>15,714</b>	(13,761)
Profit (loss) and total comprehensive income (expense) attributable to:					
– the owners of the Company		<b>(4,324)</b>	(1,625)	<b>13,715</b>	(13,438)
– non-controlling interests		<b>(89)</b>	(97)	<b>1,999</b>	(323)
		<b>(4,413)</b>	(1,722)	<b>15,714</b>	(13,761)
Earnings (loss) per share					
– Basic	7	<b>RMB(0.13) cents</b>	RMB(0.05) cents	<b>RMB0.40 cents</b>	RMB(0.45) cents
– Diluted	7	<b>RMB(0.13) cents</b>	RMB(0.05) cents	<b>RMB0.39 cents</b>	RMB(0.45) cents

\* Certain account balances have been restated so as to cope with the commencement of the new energy business in the second half of 2015.

# Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended 30 September 2016

	Attributable to owners of the Company							Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	(Accumulated losses) retained profits RMB'000	Special reserve RMB'000	Total RMB'000			
<b>At 1 January 2015 (audited)</b>	2,735	59,450	8,348	(43,707)	528	27,354	(2,708)	24,646	
Loss and total comprehensive expense recognised for the period	-	-	-	(13,438)	-	(13,438)	(323)	(13,761)	
Exercise of share options	104	12,137	(3,797)	-	-	8,444	-	8,444	
Issue of new shares	631	59,353	-	-	-	59,984	-	59,984	
Cost of issuing new shares	-	(164)	-	-	-	(164)	-	(164)	
Liquidation of a subsidiary	-	-	-	-	-	-	1,635	1,635	
<b>At 30 September 2015 (unaudited)</b>	3,470	130,776	4,551	(57,145)	528	82,180	(1,396)	80,784	
<b>At 1 January 2016 (audited)</b>	3,470	-	4,551	105,438	528	113,987	3,690	117,677	
Profit and total comprehensive income recognised for the period	-	-	-	13,715	-	13,715	1,999	15,714	
Disposal of subsidiaries (note 4)	-	-	-	-	-	-	1,417	1,417	
<b>At 30 September 2016 (unaudited)</b>	3,470	-	4,551	119,153	528	127,702	7,106	134,808	

# Notes to the Condensed Consolidated Financial Statements

For the nine months ended 30 September 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

- (1) new energy development business, research & development on its relevant technologies and construction engineering ("New energy business");
- (2) operation of restaurants, provision of management services, sale of processed food and seafood ("Catering business"); and
- (3) property investment business ("Property investment").

## 2. BASIS OF PREPARATION

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

During the nine months ended 30 September 2016, for enhancing the relevance of the presentation of the condensed consolidated financial statements, the Directors of the Company had changed its presentation of the condensed consolidated statement of profit or loss and other comprehensive income in accordance with IAS 1 *Presentation of Financial Statements* and the corresponding comparative amounts shown in the condensed consolidated statement of profit or loss and other comprehensive income and related notes had been restated to conform with the Current Period's presentation.

### 3. REVENUE AND OTHER INCOME

	Three months ended		Nine months ended	
	30.9.2016 RMB'000 (unaudited)	30.9.2015 RMB'000 (unaudited)	30.9.2016 RMB'000 (unaudited)	30.9.2015 RMB'000 (unaudited)
<b>Revenue</b>				
Catering business	12,515	16,452	41,529	51,344
New energy business	–	–	32,038	–
Property investment	72	–	184	–
	<b>12,587</b>	16,452	<b>73,751</b>	51,344
<b>Other income</b>				
Interest income	27	4	85	11
Imputed interest income on advances to an associate	–	–	243	158
Government subsidy (note)	–	–	680	750
	<b>27</b>	4	<b>1,008</b>	919

Note: During the Current Period, a PRC subsidiary received a subsidy of RMB680,000 (2015: RMB750,000) given by the PRC government for encouragement of its business development. There were no specific conditions attached to the incentives and, therefore, the Group recognised the incentives upon receipt.

### 4. GAIN ON DISPOSAL OF SUBSIDIARIES

The Group disposed of Noblehouse Food Trading Co., Limited (名軒食品貿易有限公司) (“Noble House Food Trading”), a wholly owned subsidiary of the Company, which engaged in the trading of processed foods in Hong Kong and Shanghai, to an independent third party, at a cash consideration of HK\$500,000 (equivalent to RMB421,000). The disposal was completed on 31 March 2016, and resulted in a gain on disposal of RMB603,000, on which date the Group lost control of Noble House Food Trading.

The Group disposed of Beijing Noble House Food and Beverage Co., Ltd (北京名軒樓餐飲有限公司) (“Beijing Noble House”), non-wholly owned subsidiary of the Company, which engaged in the operation of a restaurant in Beijing, to an independent third party, at a cash consideration of RMB800,000. The disposal was completed on 30 June 2016, and resulted in a gain on disposal of RMB4,546,000, on which date the Group lost control of Beijing Noble House.



## 4. GAIN ON DISPOSAL OF SUBSIDIARIES (continued)

The net assets of the disposed subsidiaries at the dates of disposal were as follows:

	RMB'000
<b>Consideration received:</b>	
Total consideration received	1,221
<b>Analysis of assets and liabilities over which control was lost:</b>	
Property, plant and equipment	2,274
Inventories	434
Trade and other receivables	4,318
Bank balances and cash	81
Trade and other payables	(10,787)
Prepayment from customers	(1,523)
Tax liabilities	(142)
Net liabilities disposed	(5,345)
Less: non-controlling interest portion	1,417
	(3,928)
Gain on disposal of subsidiaries	5,149

## 5. PROFIT (LOSS) BEFORE TAX

	Three months ended		Nine months ended	
	30.9.2016 RMB'000 (unaudited)	30.9.2015 RMB'000 (unaudited)	30.9.2016 RMB'000 (unaudited)	30.9.2015 RMB'000 (unaudited)
Profit (loss) before tax has been arrived after charging the following:				
Directors' emoluments	1,125	900	3,245	2,440
Salaries and other allowances	3,845	5,154	12,966	15,107
Retirement benefit scheme contributions, excluding those of Directors	732	1,089	2,352	3,280
	5,702	7,143	18,563	20,827
Depreciation of property, plant and equipment	668	902	2,117	2,682

## 6. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30.9.2016 RMB'000 (unaudited)	30.9.2015 RMB'000 (unaudited)	30.9.2016 RMB'000 (unaudited)	30.9.2015 RMB'000 (unaudited)
Enterprise income tax in the PRC:				
Current Period income tax	4	-	7,327	-

## 6. INCOME TAX EXPENSE (continued)

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made as the Group's subsidiaries have no assessable profit arising in or derived in Hong Kong for the nine months ended 30 September 2016 and 2015.

PRC

PRC subsidiaries located in Tianjin, Beijing, and Shanghai were subject to PRC Enterprise Income Tax at a rate of 25% for the nine months ended 30 September 2016 and 2015.

## 7. EARNINGS (LOSS) PER SHARE

	Three months ended		Nine months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	<b>(4,324)</b>	(1,625)	<b>13,715</b>	(13,438)

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:

	Three months ended		Nine months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	'000	'000	'000	'000
Weighted average number of shares used in the calculation of basic earnings (loss) per share	<b>3,433,280</b>	3,433,280	<b>3,433,280</b>	2,988,565
Shares deemed to be issued in respect of:				
– Share options	–	–	<b>92,702</b>	–
Weighted average number of shares used in the calculation of diluted earnings (loss) per share	<b>3,433,280</b>	3,433,280	<b>3,525,982</b>	2,988,565

The computation of the diluted loss per share for the three months and nine months ended 30 September 2015 and three months ended 30 September 2016 did not assume the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

## 8. DIVIDEND

No dividends has been paid or proposed by the Group for the nine months ended 30 September 2016 and 2015.

## 9. RESERVES

Movements in the reserves of the Group during the nine months ended 30 September 2016 and 2015 are set out in the condensed consolidated statement of the changes in equity on page 4.

## 10. RELATED PARTY TRANSACTIONS

During the Current Period, the Group entered into the following transactions with the related parties:

Name of related party	Nature of transaction	Three months ended		Nine months ended	
		30.9.2016 RMB'000 (unaudited)	30.9.2015 RMB'00 (unaudited)	30.9.2016 RMB'000 (unaudited)	30.9.2015 RMB'000 (unaudited)
Dong Hai Noble House	Sales of processed food	-	55	38	125
	Handling fee income on VIP cards	1	3	9	25
臻露酒業(上海)有限公司 (note)	Purchase of inventories	-	737	254	737

Note: 臻露酒業(上海)有限公司 is a company beneficially owned by Mr. Hu Yishi, the executive Director, executive chairman and a shareholder of the Company.

On 2 April 2015, the Company and 順盈貿易(上海)有限公司 (Sun Profit Trading (Shanghai) Limited), a company indirectly wholly-owned by Mr. Hu Yishi, the executive Director, executive chairman and a shareholder of the Company, entered into a sale and purchase agreement for the purchase of an investment property located in Shanghai, the PRC, at the aggregate consideration of RMB4,960,000 and the associated legal cost of RMB164,000 in which this transaction constitutes a connected party transaction to the Group. The acquisition of the property has been completed on 24 September 2015.

# Management Discussion and Analysis

## BUSINESS REVIEW

During the Current Period, the Group has continued to implement a prudent approach on its Catering business with a pragmatic business strategy and stringent risk control measures, allowing it to develop the New energy business. Besides such efforts, the management has continued exploring opportunities for spurring the Group's continuous development.

### New Energy Business

Since Hua Xia Northern New Energy Technology Development (Tianjin) Limited ("Hua Xia Northern New Energy") began operations in the second half of 2015, it has been able to achieve favorable results, which continuously drive the development of the New energy business. The Letter of Intent signed for establishing a JV Company in the first quarter of the current year is planning to involve in a Liquefied Natural Gas (LNG) Heat Supply and Integrated Utilisation Project in Xinkou Town, Xiqing District in Tianjin. Since negotiations on the terms of the JV Company are ongoing, the Group will issue announcements as developments warrant.

Furthermore, letters of intent for cooperation were signed by the Group with several new energy related enterprises in the third quarter of 2016. They cover joint projects in Tianjin, China, including construction of outdoor duct system as well as construction and installation of bag filter. During the period, the Group also actively negotiated for other heat supply projects, including furnace room works and installation works in relation to LNG projects, etc. Details of them will be confirmed in the fourth quarter.

### Catering Business

As of 30 September 2016, the Group owned and operated five "Noble House" ("名軒") restaurants in Shanghai, the PRC, as well as one restaurant in Ningbo that is an associate company. To support such restaurants, the Group also operates food production services, as well as the trade of seafood and supplemental food products under the "Noble House" ("名軒") brand. Its portfolio of products are available from the Group's restaurants and retail shops in Shanghai.

The performance of the Catering business has been lackluster ever since austerity measures were imposed by the PRC government. The more conservative spending habits among affluent consumers have impacted severely on the bottom line of many local catering businesses. Given the unfavorable conditions, the Group had disposed three subsidiaries owned by the Group which located in Hong Kong, Shanghai and Beijing respectively in the first half of the current year. Details pertaining to the disposal can be examined under note 4 of the condensed consolidated financial statements. In addition, as the Zhangjiang Restaurant and Ningbo Restaurant had been incurring loss persistently, the Group stopped operating the two restaurants in the third quarter of 2016 so as to cap overall loss. Regarding the contractual dispute between the Ningbo Restaurant and Shanghai Noble House Food Service Management Co., Ltd., the case is now undergoing legal procedures. The Group has already sought legal advice from its PRC legal advisers and considers that the claim does not have any material adverse effect on the operation or financial position of the Group, no provision is considered necessary for the claim. Please refer to the Company announcement published on 29 July 2016 for more details.

Aside from the aforementioned actions, the Group secured two external operation contracting agreements ("Operation Contracts") with two independent contractors ("Contractors") for two of its restaurants – one in Shanghai and one in Beijing. According to the Operation Contracts, the two restaurants were transferred to the Contractors in the first quarter of 2016, and both contractors have been required to respectively manage the restaurants and assume operational risks, while receiving all corporate earnings within the 12-month contract period. The Contractors may not change the existing nature of the businesses or alter the legal status, name and business scope of the two restaurants. Since the Beijing subsidiary was subsequently disposed in the second quarter of 2016, the external operation contracting agreement of Beijing Subsidiary was duly terminated.

## Property Investment

The Group's investment property is located at Room 609, No. 1701 Beijing Road West, Jing An District, Shanghai. The investment property holds a medium-term rental agreement, it is expected to bring regular and stable rental income to the Group.

## FINANCIAL REVIEW

### Revenue

For the Current Period, revenue of the Group amounted to RMB73.8 million, representing an increase of 43.6% from RMB51.3 million for the Corresponding Period. The increase was mainly attributable to the revenue of RMB32.0 million generated from the New energy business.

#### *New Energy Business*

The RMB32.0 million in revenue from the New energy business segment accounted for 43.4% of the Group's total revenue. It was mainly attributable to the income generated from the operation for the coal-to-natural gas conversion projects in Xiqing District and Beichen District in Tianjin and the completion of several engineering consultancy solutions.

#### *Catering Business*

The Group recorded revenue of RMB41.5 million from the operation of the Catering business as compared to RMB51.3 million in the Corresponding Period. The revenue from the Catering business included RMB33.1 million from restaurant operations (Corresponding Period: RMB44.2 million), RMB7.0 million from sales of processed food and seafood products (Corresponding Period: RMB6.4 million), RMB0.9 million from external operation contracting (Corresponding Period: Nil) and RMB0.5 million from the provision of management services (Corresponding Period: RMB0.7 million). The decrease in revenue was mainly due to the continuous deterioration in the overall performance of the high-end catering industry in the PRC.

#### *Property Investment*

The Property investment segment recorded a turnover of RMB0.2 million (Corresponding Period: Nil).

### Cost of Sales

The cost of sales for the Catering business decreased by 25.1% from RMB45.1 million to RMB33.8 million, mainly as a result of effective cost reduction and control measures plus the adoption of an optimised business model. The cost of sales for the New energy business amounted to RMB3.7 million, including direct labor cost and raw materials related to the operations.

### Gross Profit Margin

The gross profit margin for the Catering business increased from 12.2% to 18.6%. The increase reflected effective cost reduction and control measures plus the adoption of an effective optimised business model. The New energy business segment and Property investment segment recorded a gross profit margin of 88.6% and 100.0% respectively.

### Other Gains

Other gains decreased by 23.5% from RMB2.6 million in the Corresponding Period to RMB2.0 million in the Current Period, mainly due to a decrease in the foreign exchange gain recorded.



## **Administrative and Other Expenses**

The administrative and other expenses remained stable at RMB18.4 million in the Current Period and RMB18.2 million in the Corresponding Period. This reflected the effect of one-off staff redundancy cost set off by the effective cost control policies of the Group.

## **Income Tax Expense**

Income tax expense was RMB7.3 million (Corresponding Period: Nil). It was mainly derived from the provision for PRC Enterprise Income Tax of a subsidiary in Tianjin.

## **Non-controlling Interests**

The non-controlling interests recorded a gain of RMB2.0 million in the Current Period as compared to a loss of RMB0.3 million in the Corresponding Period. This was mainly attributable to an operating profit recorded by the non-wholly owned subsidiary in Tianjin.

## **Profit (Loss) and total Comprehensive Income (Expense) attributable to the Owners of the Company**

The net profit and total comprehensive income attributable to the owners of the Company amounted to RMB13.7 million, as compared to the net loss and total comprehensive expense attributable to the owners of the Company amounting to RMB13.4 million in the Corresponding Period. The basic and diluted earnings per share for the Current Period was RMB0.40 cents and RMB0.39 cents, as compared to the basic and diluted loss per share of RMB0.45 cents in the Corresponding Period.

## **Related Party Transactions and Connected Transactions**

During the Current Period, all transactions as set out in note 10 of the condensed consolidated financial statements were entered into by the Group in the ordinary and usual course of business and on normal commercial terms and, if constituted connected transactions or continuing connected transactions, are exempt from the relevant disclosure requirements under Chapter 20 of the GEM Listing Rules.

## **PROSPECTS**

The new energy industry is essential to the sustainable development of society, thus it is bound to become a national development priority. Eyeing the business opportunity, the Group entered the New energy business in 2015 and achieved encouraging results in just one year. To further development of the New energy business, the management has strived to partner with capable companies to co-develop various projects. Apart from the coal-to-natural gas conversion projects in Xiqing District and Beichen District in Tianjin, the Group also offered consultancy on engineering solutions for some projects.

The Group signed several letters of intent in the third quarter of 2016 and is currently pursuing related works at full steam. In October 2016, several co-operation agreements were also signed covering such projects, including construction of outdoor duct system, construction and installation of bag filter, furnace room works and installation works in relation to LNG projects. The management believes that there is huge potential in northern China and the surrounding areas, coupled with the accelerated pace of development of coal-to-gas, thus the Group will seize the opportunity to gain greater market share.

On top of focusing on developing New energy business, the management has also been prudent in running the Group's Catering Business. The Management will consider different methods, including outsourcing some business operations in order to lower the cost and also implement a stricter control on costs to reduce the operating costs. As for Property Investment, the Group is actively searching for suitable investment opportunities with stable returns in order to improve its economic efficiency in resources, aiming to provide regular and stable rental income to the Group.

## CAPITAL STRUCTURE

### Share Subdivision

Pursuant to an ordinary resolution passed by the shareholders at the annual general meeting of the Company held on 19 May 2016, each of the issued share of the Company of HK\$0.01 each was subdivided into eight (8) subdivided shares of the Company of HK\$0.00125 each. For further details, please refer to the Company's announcement dated 15 March 2016 and 19 May 2016. Following the Share Subdivision became effective on 20 May 2016, the Company had an aggregate of 3,433,280,000 shares of HK\$0.00125 each in issue.

### USE OF PROCEEDS FROM THE PLACING OF SHARES

The Company had placed 56,000,000 shares (i.e. 448,000,000 shares with par value of HK\$0.00125 each after the Share Subdivision on 20 May 2016) to four subscribers (the "First Placing") at a subscription price of HK\$0.65 per new shares on 28 November 2014 and 80,000,000 shares (i.e. 640,000,000 shares with par value of HK\$0.00125 each after the Share Subdivision on 20 May 2016) to one subscriber at the subscription price of HK\$0.95 per subscription share (the "Second Placing") on 30 June 2015. The aggregate gross proceeds and net proceeds from the two placings are HK\$112,400,000 (equivalent to RMB88,835,000) and HK\$112,149,000 (equivalent to RMB88,638,000). The Company intended to use the net proceeds from the two placings as follows:

- (i) HKD25,500,000 (equivalent to approximately RMB20,127,000) for any potential investment opportunities as identified by the Group; and
  - (ii) HKD86,649,000 (equivalent to approximately RMB68,511,000) as general working capital of the Group.
- As at 30 September 2016, approximately HK\$43,454,000 (equivalent to RMB37,413,000) of the proceeds has been used as general working capital of the Group and HK\$19,675,000 (equivalent to RMB16,200,000) has been used for establishment of a subsidiary in Tianjin. The remaining net proceeds have not yet been utilized and remain available for the intended use.

### DIVIDENDS

The Board did not recommend the payment of interim dividend for the Current Period (Corresponding 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 to the Group.

As at 30 September 2016, the Directors considered the Group's foreign exchange risk remained minimal currently. During the Current Period, the Group did not use any financial instruments for hedging purposes.

## **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 was 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 (i.e. 224,000,000 shares with par value of HK\$0.00125 each after the Share Subdivision on 20 May 2016). On 30 September 2016, the exercise price of the outstanding Options was adjusted from HK\$0.81 per Share to HK\$0.10125 per Subdivided Share and the number of shares in respect of which options had been granted and remained outstanding under the Scheme was adjusted to 118,720,000 (30 September 2015: 118,720,000), representing 3.5% (30 September 2015: 3.5%) 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 30 September 2016 are as follows:

	Number of share options					Exercise period (both dates inclusive)	Exercise price*	Closing price immediately before the date of grant*
	At 1 January 2016*	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the Period	Outstanding as at 30 September 2016			
<b>Directors</b>								
Mr. Chan Wing Yuen, Hubert	22,400,000	-	-	-	22,400,000	25 November 2014 to 24 November 2021	0.10125	0.12125
Ms. Lin Min, Mindy	22,400,000	-	-	-	22,400,000	25 November 2014 to 24 November 2021	0.10125	0.12125
Ms. Kwong Wai Man, Karina	22,400,000	-	-	-	22,400,000	25 November 2014 to 24 November 2021	0.10125	0.12125
Mr. Lui Tin Nang	2,240,000	-	-	-	2,240,000	25 November 2014 to 24 November 2021	0.10125	0.12125
Ms. Ma Lee	2,240,000	-	-	-	2,240,000	25 November 2014 to 24 November 2021	0.10125	0.12125
Mr. Wang Zhi Zhong	2,240,000	-	-	-	2,240,000	25 November 2014 to 24 November 2021	0.10125	0.12125
<b>Total Directors</b>	<b>73,920,000</b>	-	-	-	<b>73,920,000</b>			
<b>Employees</b>	44,800,000	-	-	-	44,800,000	25 November 2014 to 24 November 2021	0.10125	0.12125
<b>Total Employees</b>	<b>44,800,000</b>	-	-	-	<b>44,800,000</b>			
<b>Total All Categories</b>	<b>118,720,000</b>	-	-	-	<b>118,720,000</b>			

\* adjusted by share subdivision on 20 May 2016

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

At 30 September 2016, the interests and short positions of the Directors and chief executives of the Company in the ordinary 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\$0.00125 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	458,000,000	13.34%
Ms. Lin Min, Mindy	2	Interest of controlled corporation	466,688,000	13.59%

Notes:

- Mr. Hu Yishi is deemed to be interested in 448,000,000 shares held by Smart Lane Global Limited, a subsidiary of Yuan Rong Centry Investment Holdings Limited ("Yuan Rong"), where the entire issued share capital of which is held by Mr. Hu Yishi. Mr. Hu Yishi is also deemed to be interested in 10,000,000 Shares held by Front Riches Investments Limited, a company 100% controlled by Mr. Hu Yishi.
- Ms. Lin Min, Mindy is deemed to be interested in 448,000,000 shares held by Uprise Global Investments Limited and in 18,688,000 shares held by Gainup Limited respectively, both companies were 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)
Mr. Chan Wing Yuen, Hubert	Beneficial owner	22,400,000
Ms. Lin Min, Mindy	Beneficial owner	22,400,000
Ms. Kwong Wai Man, Karina	Beneficial owner	22,400,000
Mr. Lui Tin Nang	Beneficial owner	2,240,000
Ms. Ma Lee	Beneficial owner	2,240,000
Mr. Wang Zhi Zhong	Beneficial owner	2,240,000

Note:

The share options were granted by the Company to Directors on 25 November 2014 at the exercise price of HK\$0.10125 per option share, which are outstanding as shown under the section "Share Option Scheme" of this report.

Saved as disclosed above, as at 30 September 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 Corresponding 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 30 September 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	Number of underlying shares	Percentage of the Company's issued share capital
Depot Up Limited (note 1)	Beneficial owner	640,000,000	–	18.64%
Mr. Song Zhi Cheng (note 2)	Interest of controlled corporation	640,000,000	–	18.64%
Smart Lane Global Limited (note 3)	Beneficial owner	448,000,000	–	13.05%
Uprise Global Investments Limited (note 4)	Beneficial owner	448,000,000	–	13.05%
Blossom Merit Limited (note 5)	Beneficial owner	229,632,000	–	6.69%
Mr. Chan Tai Neng (note 6)	Interest of controlled corporation	229,632,000	–	6.69%
Rosy Deal Group Limited (note 7)	Beneficial owner	224,000,000	–	6.52%
Ms. Miao Kun Yu (note 8)	Interest of controlled corporation	224,000,000	–	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 640,000,000 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.
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 30 September 2016.
6. Mr. Chan Tai Neng is deemed to be interested in 229,632,000 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 224,000,000 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 30 September 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 Current Period 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 LISTED SECURITIES OF THE COMPANY

During the Current Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

## COMMUNICATION WITH SHAREHOLDERS

The Board communicates with the shareholders through the annual general meetings and extraordinary general meetings. In compliance with the requirements of GEM Listing Rules, the Company issued regular reports, announcements, circulars, notice of general meetings. Shareholders can get the latest information of the Company through these publications of the Company.

## CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and complied with all the code provisions set out in the Code on Corporate Governance Practice contained in Appendix 15 of the GEM Listing Rules (the "Corporate Governance Code") throughout the Current Period. Except for the deviations from code provision A.6.7 as explained below. The Board will continue to review regularly and take appropriate actions to comply with the CG Code.

Under code provision A.6.7, the Board members should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to other unavoidable business engagement, the executive chairman, an executive Director and one of independent non-executive Directors were unable to attend the Company's annual general meeting held on 19 May 2016.

Save as disclosed above, the Directors are of the opinions that the Company and the Broad had complied with the Corporate Governance Code 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 30 September 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 third 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

**Chan Wing Yuen, Hubert**

*Chief Executive Officer and Executive Director*

Hong Kong, 11 November 2016

*As at the date of this report, the executive Directors are Mr. Hu Yishi, Mr. Chan Wing Yuen, Hubert, Ms. Lin Min, Mindy 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.*

*This report will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least seven days from the day of its posting and on the website of the Company at <http://www.8246hk.com>.*