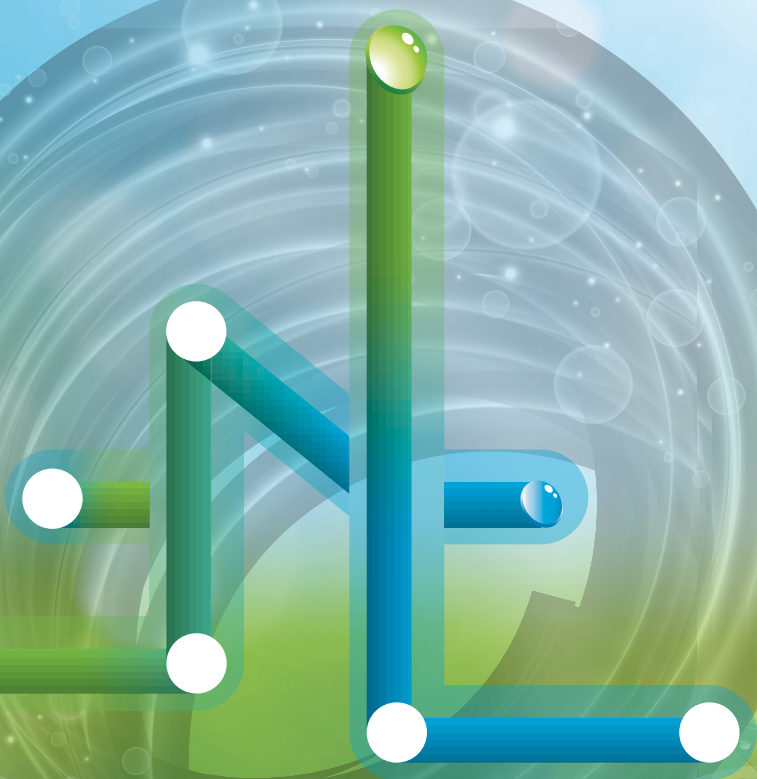




Northern New Energy Holdings Limited
北方新能源控股有限公司

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

2017 THIRD QUARTERLY REPORT
二零一七年第三季度報告



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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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. Lau Kwok Kee

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. Lau Kwok Kee

Remuneration Committee

Mr. Lui Tin Nang (*Chairman*)
Ms. Lin Min, Mindy
Ms. Ma Lee
Mr. Lau Kwok Kee

Nomination Committee

Mr. Lui Tin Nang (*Chairman*)
Ms. Lin Min, Mindy
Ms. Ma Lee
Mr. Lau Kwok Kee

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

23/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 KY1-111,
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
Bank of China Limited

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 2017 (the “Current Period”), together with the unaudited comparative figures for the nine months ended 30 September 2016 (the “Corresponding Period”) as follows:

	Three months ended		Increase	Nine months ended		Increase/ (decrease)
	30.9.2017 RMB'000	30.9.2016 RMB'000		30.9.2017 RMB'000	30.9.2016 RMB'000	
Revenue	56,354	12,587	347.7%	112,876	73,751	53.1%
Gross profit ^(a)	21,666	1,725	1,156.0%	48,215	36,246	33.0%
Profit (loss) and total comprehensive income (expense) for the period	1,858	(4,413)	142.1%	5,267	15,714	(66.5%)
Profit (loss) and total comprehensive income (expense) attributable to the owners of the Company	384	(4,324)	108.9%	2,376	13,715	(82.7%)
Dividend	Nil	Nil		Nil	Nil	
E (L) BIT	6,311	(4,409)	243.1%	14,790	23,041	(35.8%)
E (L) BITDA	6,868	(3,741)	283.6%	16,625	25,158	(33.9%)
Earnings (loss) per share						
Basic	RMB0.01 cents	RMB(0.13) cents	107.7%	RMB0.07 cents	RMB0.40 cents	(82.5%)
Diluted	RMB0.01 cents	RMB(0.13) cents	107.7%	RMB0.07 cents	RMB0.39 cents	(82.1%)

Key Financial Indicators	Three months ended		Nine months ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
Gross profit margin ^(b)	38.4%	13.7%	42.7%	49.1%
Net profit (loss) margin ^(c)	3.3%	(35.1%)	4.7%	21.3%

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 2017

	Notes	Three months ended		Nine months ended	
		30.9.2017 RMB'000 (unaudited)	30.9.2016 RMB'000 (unaudited)	30.9.2017 RMB'000 (unaudited)	30.9.2016 RMB'000 (unaudited)
Revenue	3	56,354	12,587	112,876	73,751
Cost of sales		(34,688)	(10,862)	(64,661)	(37,505)
Gross profit		21,666	1,725	48,215	36,246
Other income	3	115	27	584	1,008
Other gains and losses		(672)	570	(1,824)	2,024
Administrative expenses		(13,787)	(5,229)	(29,876)	(18,361)
Selling and distribution expenses		(1,011)	(1,502)	(2,833)	(4,182)
Gain on disposal of subsidiaries		-	-	-	5,149
Reversal of impairment loss recognised on inventories		-	-	524	1,176
Impairment loss recognised in respect of amount due from an associate		-	-	-	(19)
Profit (loss) before tax	4	6,311	(4,409)	14,790	23,041
Income tax expense	5	(4,453)	(4)	(9,523)	(7,327)
Profit (loss) and total comprehensive income (expense) for the period		1,858	(4,413)	5,267	15,714
Profit (loss) and total comprehensive income (expense) attributable to:					
- the owners of the Company		384	(4,324)	2,376	13,715
- non-controlling interests		1,474	(89)	2,891	1,999
		1,858	(4,413)	5,267	15,714
Earnings (loss) per share					
- Basic	6	RMB0.01 cents	RMB(0.13) cents	RMB0.07 cents	RMB0.40 cents
- Diluted	6	RMB0.01 cents	RMB(0.13) cents	RMB0.07 cents	RMB0.39 cents

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended 30 September 2017

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Share option reserve	Retained profits	Special reserve	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016 (audited)	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	-	-	-	-	-	-	1,417	1,417
At 30 September 2016 (unaudited)	3,470	-	4,551	119,153	528	127,702	7,106	134,808
At 1 January 2017 (audited)	3,470	-	4,551	200,488	528	209,037	16,794	225,831
Profit and total comprehensive income recognised for the period	-	-	-	2,376	-	2,376	2,891	5,267
Exercise of share options	70	8,240	(2,643)	-	-	5,667	-	5,667
Recognition of equity-settled share based payments	-	-	6,862	-	-	6,862	-	6,862
At 30 September 2017 (unaudited)	3,540	8,240	8,770	202,864	528	223,942	19,685	243,627

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 30 September 2017

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 23/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 unaudited 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 2016 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.

3. REVENUE AND OTHER INCOME

	Three months ended		Nine months ended	
	30.9.2017 RMB'000 (unaudited)	30.9.2016 RMB'000 (unaudited)	30.9.2017 RMB'000 (unaudited)	30.9.2016 RMB'000 (unaudited)
Revenue				
New energy business	46,715	–	79,825	32,038
Catering business	9,527	12,515	32,757	41,529
Property investment	112	72	294	184
	56,354	12,587	112,876	73,751
Other income				
Interest income	39	27	112	85
Imputed interest income on advances to an associate	–	–	–	243
Government subsidy (note)	–	–	370	680
Others	76	–	102	–
	115	27	584	1,008

Note: During the Current Period, a PRC subsidiary received a subsidy of RMB370,000 (2016: RMB680,000) 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. PROFIT (LOSS) BEFORE TAX

	Three months ended		Nine months ended	
	30.9.2017 RMB'000 (unaudited)	30.9.2016 RMB'000 (unaudited)	30.9.2017 RMB'000 (unaudited)	30.9.2016 RMB'000 (unaudited)
Profit (loss) before tax has been arrived after charging the following:				
Directors' emoluments	3,387	1,125	7,429	3,245
Salaries and other allowances	4,199	3,845	13,190	12,966
Retirement benefit scheme contributions, excluding those of Directors	757	732	2,191	2,352
Equity-settled share-based expenses, excluding those of Directors	3,943	–	4,868	–
	12,286	5,702	27,678	18,563
Depreciation of property, plant and equipment	557	668	1,835	2,117

5. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Enterprise income tax in the PRC:				
Current tax	4,964	4	10,415	7,327
Over provision in prior years	(511)	–	(892)	–
	4,453	4	9,523	7,327

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 2017 and 2016.

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 2017 and 2016.

A subsidiary operating in PRC was fulfilled "Small and Low-profit Enterprises" defined by Enterprise Income Tax Law of People's Republic of China, and was registered with the local tax authority to be eligible to the reduced 20% enterprise income tax rate in period from 2015 – 2017.

6. EARNINGS (LOSS) PER SHARE

	Three months ended		Nine months ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	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	384	(4,324)	2,376	13,715

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	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	'000	'000	'000	'000
Weighted average number of shares used in the calculation of basic earnings (loss) per share	3,436,223	3,433,280	3,434,940	3,433,280
Shares deemed to be issued in respect of:				
– Share options	35,309	–	44,291	92,702
Weighted average number of shares used in the calculation of diluted earnings (loss) per share	3,471,532	3,433,280	3,479,231	3,525,982

The computation of the diluted loss per share for the 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.

7. DIVIDEND

No dividends has been paid or proposed by the Group for the nine months ended 30 September 2017 and 2016.

8. RESERVES

Movements in the reserves of the Group during the nine months ended 30 September 2017 and 2016 are set out in the condensed consolidated statement of the changes in equity on page 5.

9. 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	
		30.9.2017 RMB'000 (unaudited)	30.9.2016 RMB'000 (unaudited)	30.9.2017 RMB'000 (unaudited)	30.9.2016 RMB'000 (unaudited)
上海龐迪商貿有限公司 ^(note 1)	Purchase of inventories	78	-	399	-
Dong Hai Noble House	Sales of processed food	-	-	-	38
	Handling fee income on VIP cards	-	1	-	9
臻露酒業(上海)有限公司 ^(note 2)	Purchase of inventories	-	-	-	254

Note:

1. 上海龐迪商貿有限公司 is a company beneficially owned by a director of the Company's subsidiary.
2. 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 substantial shareholder of the Company.

On 18 November 2016, 上海盈愷投資管理有限公司 (Shanghai Ying Kai Investment Management Limited, a wholly-owned subsidiary of the Company ("上海盈愷") and 順盈貿易(上海)有限公司 (Sun Profit Trading (Shanghai) Limited (the "Vendor"), a company indirectly wholly-owned by Mr. Hu Yishi, the executive Director and a substantial shareholder of the Company, entered into a sale and purchase agreement pursuant to which 上海盈愷 agreed to purchase of, and the Vendor agreed to sell, the property at the aggregate consideration of RMB3,850,000 and the associated legal costs of RMB134,000 (the "Acquisition"). The Directors of the Company considers that by leveraging the presence of an existing rental contract and the Group's intention to continue to hold the property for lease, the investment is expected to general stable income for the Group. The Acquisition had been completed on 28 April 2017.

10. LITIGATION

On 26 July 2016, 上海名軒樓餐飲管理有限公司 (Shanghai Noble House Food Service Management Co., Ltd.) ("Noble House Management Company"), a wholly-owned subsidiary of the Company, was served a document of summon (the "Summon") issued by 寧波市鄞州區人民法院 (the "Court") to attend a hearing on 25 August 2016 in relation to a contractual dispute. Pursuant to the Statement of Claim, the plaintiff, Dong Hai Noble House, being the associate of the Group, alleged a breach of contract by Noble House Management Company. The plaintiff alleged that a management agreement was signed with Noble House Management Company in which Noble House Management Company is entrusted to all operation rights of the plaintiff's clubhouse, and all operating loss should be borne by Noble House Management Company. In the Summon, it is further alleged that from January 2012 to September 2015, the operation loss is RMB14.66 million, and that Noble House Management Company failed to compensate such loss to Dong Hai Noble House. Dong Hai Noble House requested Noble House Management Company to compensate such loss with interest calculated from 8 July 2016 until the date of actual payment at the rate equivalent to interest charged by bank on loans. The Group has seeking legal advice from its PRC legal adviser on this litigation and the Company 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. Details of the Summon is set out in the announcement of the Company dated 29 July 2016. Up to the date of this report, there is no latest progress of the Claim.

Management Discussion and Analysis

BUSINESS REVIEW

Developing into a dynamic integrated new energy enterprise is the Group's primary objective in 2017. To this end, the Group captured opportunities in the first half year to strengthen the integrated strengths of its New energy business team to prepare for the peak season in the second half year. In the period under review, the management continued to drive the development of New energy business to help the Group consolidate its leadership in the industry. For Catering business, the management review continued in the hope of investing in projects with stronger growth potential.

New Energy Business

In the past two years, the Group was able to cement its foundation in the industry and expand the scope of its business. As a result, both the revenue and net profit of New energy business for the period under review recorded satisfactory year-on-year growth. Revenue from the business accounted for over 70% of the Group total, up notably from about 40% in the same period last year. The Group also continued to hire more talent and enhance technologies during the period to pave way for it to capture more opportunities in the future.

Capitalizing on its profound expertise and excellent services, the Group provided sales and installation of de-nitrification equipment for coal-fired boilers in Tianjin in the third quarter of 2017, and also completed condensate gas premixed boiler room equipment installation and debugging contracts, which together constituted a major source of revenue of the Group in the period. Sales and purchase contracts of industrial products also brought in part of the Group's revenue.

Moreover, the Group has filed tax concession applications with relevant departments in Tianjin and is waiting for their approval. The Group believes gaining such concessions shall have a positive impact on its business.

Catering Business

The Group has been reviewing the Catering business, including restructuring and adjustment of business strategies with the aim of optimizing operational effectiveness. As at 30 September 2017, the Group owned and operated four "Noble House" restaurants in Shanghai, including one outsourced to an independent contractor. The Group also operated non-staple food product trading business that covers products carrying the "Noble House" brand, which are sold at its restaurants and retail stores.

The contractual dispute between Dong Hai Noble House Food and Beverage Co., Ltd ("Dong Hai Noble House") and Shanghai Noble House Food Service Management Co., Ltd is in litigation. The Group has sought advice from its legal counsel in the PRC and the management believes the claim would not have any significant adverse impact on the Group's operations or financial status, so no provision shall be made for it. The Group has instructed its legal adviser in the PRC to continue to follow this incident and will disclose more relevant information in due course. For further details regarding the litigation, please refer to note 10 of the condensed consolidated financial statements.

Property Investment

The Group owns two office properties on Beijing Road West, Jing An District, downtown Shanghai, which generate long-term stable rental income for it.

FINANCIAL REVIEW

Revenue

For the Current Period, revenue of the Group amounted to RMB112.9 million, representing a leap of 53.1% from RMB73.8 million for the Corresponding Period last year. The increase was mainly attributable to the increase in revenue of RMB47.8 million from New energy business.

New Energy Business

The RMB79.8 million in revenue from the New energy business segment accounted for 70.7% of the Group's total revenue (Corresponding Period: 43.4%). It was mainly attributable to the income from provision of de-nitrification of coal-fired boilers solution, installation and debugging of condensate gas premiated boiler room equipment and sales of industrial products in Tianjin.

Catering Business

The Group recorded revenue of RMB32.8 million from the operation of Catering business as compared to RMB41.5 million in the Corresponding Period last year. The revenue from Catering business included RMB32.1 million from restaurant operations (Corresponding Period: RMB33.1 million), RMB0.4 million from sales of processed food and seafood products (Corresponding Period: RMB7.0 million), RMB0.3 million from external operation contracting (Corresponding Period: RMB0.9 million) and Nil from provision of management services (Corresponding Period: RMB0.5 million). The decrease in revenue was mainly due to the decrease in revenue from sales of processed food and seafood products.

Property Investment

The Property investment segment recorded turnover of RMB0.3 million (Corresponding Period: RMB0.2 million).

Cost of Sales

The cost of sales of Catering business was down by 18.3% from RMB33.8 million in the Corresponding Period to RMB27.6 million, mainly as a result of a decrease in number of restaurants, correspondingly procurement cost came down. The cost of sales of New energy business increased to RMB37.1 million as compared to RMB3.7 million in the Corresponding Period. The increase was mainly attributable to the increase in direct labor cost and prices of raw materials related to the operations.

Gross Profit Margin

The gross profit margin of Catering business decreased from 18.6% to 15.8%. The decrease was a result of the less than desirable performance of the restaurants against fixed costs, such as rents and salaries, that could not be squeezed. The New energy business and Property investment segment recorded gross profit margin of 53.5% and 100.0% respectively (Corresponding Period: 88.6% and 100.0% respectively).

Other Gains and Losses

Other losses of RMB1.8 million were recorded in the Current Period as compared to other gains of RMB2.0 million in the Corresponding Period, mainly due to foreign exchange losses recorded in the Current Period against foreign exchange gain recorded in the Corresponding Period last year.

Administrative Expenses

Administrative expenses increased by 62.7% from RMB18.4 million for the Corresponding Period to RMB29.9 million for the Current Period. The increase was mainly due to the RMB6.9 million expenses incurred for share-based payments in connection with granting of share options as incentive to or reward for the grantees' contribution to the Group and also RMB4.4 million increase in staff cost for enhancing team strengths.

Income Tax Expense

Income tax expense was RMB9.5 million (Corresponding Period: RMB7.3 million). It was mainly derived from the provision for PRC enterprise income tax of a subsidiary in Tianjin.

Non-controlling Interests

Non-controlling interests recorded a gain of RMB2.9 million in the Current Period (Corresponding Period: RMB2.0 million). This was mainly attributable to an operating profit recorded by the Group's 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 decreased by 82.7% from RMB13.7 million for the Corresponding Period to RMB2.4 million for the Current Period. The decrease was mainly caused by an increase in administrative expenses as a result of amortizing the RMB6.9 million share-based payment related expense during the Current Period, as well as the absence of the one-off gain of RMB5.1 million from disposal of subsidiary in the Corresponding Period. The basic and diluted earnings per share for the Current Period were both RMB0.07 cents, as compared to RMB0.40 cents and RMB0.39 cents respectively in the Corresponding Period.

Related Party Transactions and Connected Transactions

During the Current Period, all transactions as set out in note 9 of the unaudited condensed consolidated financial statements were entered into by the Group in the ordinary and usual course of business and on normal commercial terms. One of the related party transactions of the Group as set out in the note 9 constituted a connected transaction under Chapter 20 of the GEM Listing Rules. Details of the connected transaction (as defined under the GEM Listing Rules) are set out below in accordance with GEM Listing Rules requirements:

On 18 November 2016, 上海盈愷投資管理有限公司 (Shanghai Ying Kai Investment Management Limited, a wholly-owned subsidiary of the Company ("上海盈愷") and 順盈貿易(上海)有限公司 (Sun Profit Trading (Shanghai) Limited) (the "Vendor"), a company indirectly wholly-owned by Mr. Hu Yishi, an executive Director and a substantial shareholder of the Company, entered into a sale and purchase agreement pursuant to which 上海盈愷 agreed to purchase, and the Vendor agreed to sell, a property at the aggregate consideration of RMB3,850,000 and pay the associated legal costs of RMB134,000 (the "Acquisition"). The Directors of the Company believe investing in the property with rental contracts existing and with the property intended to be held for lease can assure the Group of a stable income. The Acquisition was completed on 28 April 2017.

PROSPECTS

In the work report of the 19th National Congress of the Communist Party of China, the PRC Government has proposed to strengthen the energy conservation and environmental protection industry, clean production industry and clean energy industry. The Group believes related policies will help release more of the development potentials of the new energy industry and present more opportunities to the Group.

The Group will continue to base in Tianjin going forward. By bringing in liquefied natural gas (“LNG”) conversion systems such as gasification stations, the Group intends to quickly expand its service scope to cover also production, which will allow it to offer more comprehensive services and develop into a dynamic integrated new energy enterprise. The Group will continue to actively explore opportunities for cooperation with the aim of introducing LNG gasification stations in prime geographical locations while complying with increasingly strict environmental requirements, thus grasping opportunities arising from strong local demand for new energy.

The Group will also actively enlarge its customer base in Tianjin and market share so as to open up more income sources. In the long term, the Group looks forward to expanding the footprint of its New energy business to cover surrounding regions in the north. Furthermore, the Group will continue to enhance the team’s competence in its bid to improve service quality. The management will also look for appropriate acquisition opportunities, cooperate with highly capable partners and allocate more resources to New energy business as planned to broaden its income streams and improve profitability. The management hopes, with these strategic moves, it will be able to take Northern New Energy into a new chapter of development.

For its Catering business, the Group will step up adjustment of business strategies to help improve performance of the segment. As for Property investment, the Group will continue to identify investment opportunities that promise to bring stable rental income sources so that it may reward shareholders with better investment returns.

CAPITAL STRUCTURE

During the Current Period, an aggregate of 66,240,000 shares were issued and allotted pursuant to the exercise of share options with exercise price of HK\$0.10125 granted on 25 November 2014. Upon the shares issued and allotted by exercising of share options, the Company had an aggregate of 3,499,520,000 shares of HK\$0.00125 each in issue.

USE OF PROCEEDS FROM THE PLACING OF SHARES

The Company had successfully placed 56,000,000 new 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 new 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 2017, the Company has utilized approximately HK\$67,139,000 (equivalent to RMB57,045,000) out of the proceeds for general working capital in the operation of the Group. As the Group is principally engaged in the New energy business, the Catering business and Property investment (the “Existing business”). The Group has applied the proceeds for general working capital on all Existing business from time to time.

In addition, as at 30 September 2017, the Group has utilized approximately HK\$19,675,000 (equivalent to RMB16,200,000) out of the proceeds for potential investment for the establishment of a subsidiary in Tianjin in the second half of 2015.

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 some 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 2017, 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 (Corresponding Period: Nil).

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

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). During the Current Period, the Company has granted 343,536,000 share options to the Company's Directors, consultants and employees at the exercise price of HK\$0.289 per option share. As at 30 September 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 396,016,000 (30 September 2016: 118,720,000), representing 11.3% (30 September 2016: 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 2017 are as follows:

	At 1 January 2017	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding as at 30 September 2017	Exercise period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
Directors								
Mr. Hu Yishi	-	2,880,000	-	-	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
		2,880,000	-	-	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
		2,880,000	-	-	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Chan Wing Yuen, Hubert	22,400,000	-	-	-	22,400,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
		11,448,000	-	-	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
		11,448,000	-	-	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
		11,448,000	-	-	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Lin Min, Mindy	22,400,000	-	(22,400,000)	-	-	25 November 2014 to 24 November 2021	0.10125*	0.12125*
		2,880,000	-	-	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
		2,880,000	-	-	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
		2,880,000	-	-	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Kwong Wai Man, Karina	22,400,000	-	-	-	22,400,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
		11,448,000	-	-	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
		11,448,000	-	-	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
		11,448,000	-	-	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Lui Tin Nang	2,240,000	-	-	-	2,240,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
		1,144,000	-	-	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
		1,144,000	-	-	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
		1,144,000	-	-	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Ma Lee	2,240,000	-	-	-	2,240,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
		1,144,000	-	-	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
		1,144,000	-	-	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
		1,144,000	-	-	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Wang Zhi Zhong**	2,240,000	-	(2,240,000)	-	-	25 November 2014 to 24 November 2021	0.10125*	0.12125*
Mr. Lau Kwok Kee***	-	1,144,000	-	-	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
		1,144,000	-	-	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
		1,144,000	-	-	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Directors	73,920,000	96,264,000	(24,640,000)	-	145,544,000			
Employees								
	44,800,000	-	(41,600,000)	-	3,200,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	-	54,208,000	-	-	54,208,000	9 June 2018 to 9 June 2024	0.289	0.28
	-	54,208,000	-	-	54,208,000	9 June 2019 to 9 June 2024	0.289	0.28
	-	54,208,000	-	-	54,208,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Employees	44,800,000	162,624,000	(41,600,000)	-	165,824,000			
Consultants								
	-	28,216,000	-	-	28,216,000	9 June 2018 to 9 June 2024	0.289	0.28
	-	28,216,000	-	-	28,216,000	9 June 2019 to 9 June 2024	0.289	0.28
	-	28,216,000	-	-	28,216,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Consultants	-	84,648,000	-	-	84,648,000			
Total All Categories	118,720,000	343,536,000	(66,240,000)	-	396,016,000			
Exercisable at the end of the period					52,480,000			

* adjusted by share subdivision on 20 May 2016.

** resigned as independent non-executive Director on 8 June 2017.

*** appointed as independent non-executive Director on 8 June 2017.

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

At 30 September 2017, 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	13.09%
Ms. Lin Min, Mindy	2	Interest of controlled corporation; and beneficial owner	489,088,000	13.98%

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 ("Ms. Lin") 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. Ms. Lin also interested in 22,400,000 shares which beneficial owned by herself.

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

Name of Director	Nature of Interest	Number of underlying shares (note)
Mr. Hu Yishi	Beneficial owner	8,640,000
Mr. Chan Wing Yuen, Hubert	Beneficial owner	56,744,000
Ms. Lin Min, Mindy	Beneficial owner	8,640,000
Ms. Kwong Wai Man, Karina	Beneficial owner	56,744,000
Mr. Lui Tin Nang	Beneficial owner	5,672,000
Ms. Ma Lee	Beneficial owner	5,672,000
Mr. Lau Kwok Kee	Beneficial owner	3,432,000

Note:

The outstanding share options 49,280,000 were granted by the Company to Directors on 25 November 2014 at the exercise price of HK\$0.10125 per option share and 96,264,000 were granted by the Company to Directors on 9 June 2017 at the exercise price of HK\$0.289 per option share. The details of outstanding share options are shown under the section "Share Option Scheme" of this report.

Saved as disclosed above, as at 30 September 2017, 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 for both of the Current Period and the Corresponding Period.

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

As at 30 September 2017, 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	–	18.29%
Mr. Song Zhi Cheng ^(note 2)	Interest of controlled corporation	640,000,000	–	18.29%
Smart Lane Global Limited ^(note 3)	Beneficial owner	448,000,000	–	12.80%
Uprise Global Investments Limited ^(note 4)	Beneficial owner	448,000,000	–	12.80%
Blossom Merit Limited ^(note 5)	Beneficial owner	229,632,000	–	6.56%
Mr. Chan Tai Neng ^(note 6)	Interest of controlled corporation	229,632,000	–	6.56%

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, an 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 2017.
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).

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 2017, 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 the independent non-executive Directors were unable to attend the Company’s annual general meeting held on 8 June 2017.

Save as disclosed above, the Directors are of the opinions that the Company and the Board 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 2017, the Audit Committee has three members comprising all the independent non-executive Directors, namely Mr. Lui Tin Nang (chairman), Ms. Ma Lee and Mr. Lau Kwok Kee.

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, 10 November 2017

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. Lau Kwok Kee.

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>.