



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

2018 First Quarterly Report
二零一八年第一季度報告



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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 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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: the information contained in this report is accurate and complete in all material respects and not misleading; or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Corporate Information

Board of Directors

Executive Directors

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

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

Room 2103B, 21/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

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2018 (the “Current Period”), together with the unaudited comparative figures for the three months ended 31 March 2017 (the “Previous Period”) as follows:

Financial Highlights

	Three months ended		
	31.3.2018	31.3.2017	Increase
	RMB'000	RMB'000	
Revenue	58,182	21,982	164.7%
Gross profit ^(a)	26,659	10,472	154.6%
Profit and total comprehensive income for the period	5,050	666	658.3%
Profit and total comprehensive income attributable to the owners of the Company	3,202	213	1,403.3%
Dividend	Nil	Nil	
EBIT	11,078	2,503	342.6%
EBITDA	12,611	3,147	300.7%
Earnings per share			
Basic	RMB0.09 cents	RMB0.01 cents	800%
Diluted	RMB0.09 cents	RMB0.01 cents	800%

Key Financial Indicators

Gross profit margin ^(b)	45.8%	47.6%
Net profit margin ^(c)	8.7%	3.0%

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 margin is based on profit and total comprehensive income for the period divided by revenue.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 31 March 2018

	Notes	Three months ended	
		31.3.2018 RMB'000 (unaudited)	31.3.2017 RMB'000 (unaudited)
Revenue	3	58,182	21,982
Cost of sales		(31,523)	(11,510)
Gross profit		26,659	10,472
Other income	3	71	67
Other gains and losses		(1,105)	(333)
Selling and distribution expenses		(1,201)	(1,093)
Administrative expenses		(13,231)	(6,610)
Loss on liquidation of a subsidiary	5	(115)	–
Profit before tax	6	11,078	2,503
Income tax expense	7	(6,028)	(1,837)
Profit and total comprehensive income for the period		5,050	666
Profit and total comprehensive income attributable to:			
– the owners of the Company		3,202	213
– non-controlling interests		1,848	453
		5,050	666
Earnings per share	8		
Basic		RMB0.09 cents	RMB0.01 cents
Diluted		RMB0.09 cents	RMB0.01 cents

Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2018

	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 2017 (audited)	3,470	-	4,551	200,488	528	209,037	16,794	225,831
Profit and total comprehensive income recognised for the period	-	-	-	213	-	213	453	666
At 31 March 2017 (unaudited)	3,470	-	4,551	200,701	528	209,250	17,247	226,497
At 1 January 2018 (audited)	3,540	8,240	14,274	242,913	528	269,495	25,166	294,661
Profit and total comprehensive income recognised for the period	-	-	-	3,202	-	3,202	1,848	5,050
Acquisition of assets through acquisition of a non-wholly owned subsidiary	-	-	-	-	-	-	17,433	17,433
Recognition of equity-settled share base payments ⁽¹⁾⁽²⁾	-	-	5,146	-	-	5,146	-	5,146
At 31 March 2018 (unaudited)	3,540	8,240	19,420	246,115	528	277,843	44,447	322,290

Note: The amount represented the fair value amortization of the share options granted on 9 June 2017.

Notes to the Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

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 the new energy development business, research & development on its relevant technologies and construction engineering (the "New energy business"); The Group also participated in the operation of restaurants and sale of processed food and seafood in PRC (the "Catering business"); and property investment business (the "Property investment").

2. BASIS OF PREPARATION

The first quarterly condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) Interim Financial Reporting as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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 2017 except in relation to the new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board that are adopted for the first time for the Current Period's financial statements. The adoption of these new and revised IFRSs has had no material impact on the unaudited condensed consolidated financial statements.

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

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

3. REVENUE AND OTHER INCOME

	Three months ended	
	31.3.2018	31.3.2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue		
New energy business	46,334	9,434
Catering business	11,793	12,476
Property investment	55	72
	58,182	21,982
Other income		
Interest income	69	42
Others	2	25
	71	67

4. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A NON-WHOLLY OWNED SUBSIDIARY

On 7 February 2018, the Group acquired certain assets through acquisition of 81.8% equity interest in 天津津熱天然氣銷售有限公司 (Tianjin Jin Re Natural Gas Sales Company Limited*) for a cash consideration of RMB78,400,000 (equivalent to approximately HK\$94,394,000) from independent third parties. The acquisition has been accounted for using the purchase method. Tianjin Jin Re Natural Gas Sales Company Limited is principally engaged in sale of natural gas; gas pipeline engineering; sale, installation and maintenance of gas transmission equipment; development, consultation, service and transfer of heat supply technology; development of new energy technology; leasing and commercial services industry; installation of electric and mechanical equipment; and centralized urban heat supply service.

5. LOSS ON LIQUIDATION OF A SUBSIDIARY

During the period, the Group liquidated Shanghai Yin Jia Food Products Co., Ltd. (the "Yin Jia"), a wholly owned subsidiary of the Company, which engaged in provide food production services to the Group's restaurants and trading of seafood and supplemental food products. The liquidation was completed on 6 February 2018, on which date the Group lost control of Yin Jia.

The net assets of Yin Jia at the date of liquidation were as follows:

	RMB'000
Net Asset liquidated	158
Assets written off during liquidation:	
– amounts due from group companies	(43)
Loss on liquidation	115

* For identification purpose only

6. PROFIT BEFORE TAX

	Three months ended	
	31.3.2018	31.3.2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before tax has been arrived after charging the following:		
Directors' and chief executive's emoluments	3,199	1,835
Salaries and other allowances	4,780	4,342
Retirement benefit scheme contributions, excluding those of Directors	723	734
Equity-settled share based expenses, excluding those of Directors	3,639	–
Total staff costs	12,341	6,911
Depreciation of property, plant and equipment		
– included in cost of sales	1,415	286
– included in administrative expenses	118	358
	1,533	644
Cost of inventories recognise as an expense (Include allowance recognise/(reversed) in respect of inventories of RMB25,000 (Previous Period: RMB(295,000)))	19,987	5,713

7. INCOME TAX EXPENSE

	Three months ended	
	31.3.2018	31.3.2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Enterprise income tax in the PRC:		
Current period income tax	6,028	1,837

Hong Kong

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

PRC

PRC subsidiaries were subject to PRC Enterprise Income Tax ("EIT") at a rate of 25% for the three months ended 31 March 2018 and 2017.

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.

8. EARNINGS PER SHARE

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

	Three months ended	
	31.3.2018	31.3.2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit and total comprehensive income for the period attributable to the owners of the Company for the purposes of basic and diluted earnings per share	3,202	213
The weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
	31.3.2018	31.3.2017
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of shares used in the calculation of basic earnings per share	3,499,520	3,433,280
Effect of dilutive potential ordinary shares: – Share options	33,227	87,439
Weighted average number of shares used in the calculation of diluted earnings per share	3,532,747	3,520,719

9. DIVIDEND

No dividend has been paid for the three months ended 31 March 2018 and 2017.

10. RESERVES

Movement in the reserves of the Group during the three months ended 31 March 2018 and 2017 are set out in the condensed consolidated statement of changes in equity on page 5.

Management Discussion and Analysis

BUSINESS REVIEW

For the Group, 2017 was a year of investment. It actively pursued strategic business expansion so as to cement its foundation for supporting future development. Stepping into 2018, the Group has continued its dual-track development strategy and pushed toward achieving the goals of diversification and professional development of its business segments. It shall insist on strengthening its Catering business as well as expanding New energy business. The Group is pleased to see its New energy business delivering satisfactory performance in the first quarter of 2018, powering the Group's overall results during the period. For the first quarter ended 31 March 2018, the Group's income increased by 164.7% year-on-year and net profit after taxation surged by 658.3%, speaking volumes to the effectiveness of the Group's active development strategy.

For Catering business, the Group continued to implement strategy tailored to stabilize its operation, and resources were allocated to development projects that could bring the most value.

New Energy Business

In the first quarter of 2018, the Group continued to provide diverse integrated new energy services in Tianjin. In addition, to boost its capability, the Group embarked on acquisitions and mergers that could help expand the scope and enhance the quality of the business.

In the period under review, capitalizing on its expertise and high quality services, the Group provided technological development and consultancy services in relation to heat supply and coal-to-natural gas conversion solutions to customers in Tianjin and completed contracts for construction of outdoor pipeline network. Moreover, the Group traded new energy related industrial products. The projects above generated significant revenue and profit for the Group in the first quarter and reinforced its reputation.

To take its New energy business to a new level, in February this year, the Group acquired 81.8% registered capital of Tianjin Jin Re Natural Gas Sales Company Limited* (the "Tianjin Jin Re Natural Gas") from independent third parties (for further details regarding the acquisition, please refer to note 4 of the condensed consolidation financial statements). Subsequent to the acquisition, Tianjin Jin Re Natural Gas will contribute a new income stream to the Group. The Group is actively applying for related licenses and approval that it may expand its New energy business to comprehensive services including supply of liquefied and gasified natural gas and provision of comprehensive technical consultancy, which will help boost its industry presence.

The Group has also filed tax concession applications with relevant departments in Tianjin as it believes it has met relevant requirements, and once granted, such concessions would have a positive impact on the business.

Catering Business

During the period under review, the Group continued to adjust its business strategies with the aim of optimizing performance. Loss recorded for the both periods maintained at low and stable levels. As at 31 March 2018, the Group owned four "Noble House" restaurants in Shanghai, China, one of them was outsourced to and operated by an independent contractor (the "Contractor"). It also operated a non-staple food trading business under the "Noble House" brand, and those products are also sold at the Group's restaurants and other retail stores.

To advance integration and strengthen the overall operating efficiency of the segment, the Group completed the liquidation of "Shanghai Yin Jia Food Products Co., Ltd." which mainly produces non-staple food products. The Group will however continue to operate the non-staple food trading business.

Property Investment

The Group owns two office premises on Beijing Road West, Jing An District, in the heart of Shanghai, which have been generating for it long-term stable rental income.

* For identification purpose only

FINANCIAL REVIEW

Revenue

For the Current Period, revenue of the Group amounted to RMB58.2 million, representing an sharp increase of 164.7% from RMB22.0 million for the Previous Period. The increase was mainly attributable to a RMB36.9 million increase in revenue of the New energy business during the Current Period.

New Energy Business

During the Current Period, the Group recognized revenue of RMB46.3 million (Previous Period: RMB9.4 million) from the New energy business segment, accounting for 79.6% (Previous Period: 42.9%) of the Group's total revenue. The revenue mainly comprised the income generated from the completion of contracts for construction of outdoor pipeline network projects, technical services in relation to coal-to-natural gas conversion heating consultancy solution projects, rental and management fees from LNG storage tanks, as well as trading of industrial products in Tianjin during the Current Period.

Catering Business

During the Current Period, the Group recorded revenue of RMB11.8 million from operations of the Catering business segment compared with RMB12.5 million in the Previous Period. The segmental revenue included RMB11.6 million from operating restaurants (Previous Period: RMB12.2 million), RMB0.1 million from sales of processed food and seafood products (Previous Period: RMB0.2 million) and RMB0.1 million from external operation contracting (Previous Period: RMB0.1 million). The decrease in revenue was mainly due to the reduced revenue from operating restaurants.

Property Investment

During the Current Period, the Property investment segment recorded turnover of RMB0.05 million (Previous Period: RMB0.07 million).

Cost of Sales

The cost of sales for the New energy business amounted to RMB21.9 million (Previous Period: RMB2.3 million), mainly a result of the greater number of projects completed during the Current Period as compared with the Previous Period. The cost of sales for the Catering business in the Current Period was RMB9.6 million, slightly increase from RMB9.2 million for the Previous Period, mainly a result of higher staff cost and rental expense of restaurants.

Gross Profit Margin

Gross profit represents revenue less cost of sales. Gross profit margin of the New energy business segment decreased from 76.0% for the Previous Period to 52.7%, due to the increase in direct labor and material cost.

The gross profit margin of the Catering business slightly decreased from 25.9% in the Previous Period to 18.4% in the Current Period, mainly due to the effect of higher staff cost and rental expenses of restaurants and gross profit margin of the Property investment segment was 100% (Previous Period: 100%).

Other Gains and Losses

Other gains and losses recorded a loss of RMB1.1 million in the Current Period, up by 231.8% compared with RMB0.3 million in the Previous Period, mainly due to the increase of the net foreign exchange loss in the Current Period.

Administrative Expenses

Administrative expenses increased by 100.2% from RMB6.6 million for the Previous Period to RMB13.2 million for the Current Period. The increase was owing to the share-based payment expenses amortized in the Current Period in connection with the grant of share options in June 2017.

Income Tax Expense

Income tax expense increased by 228.1% from RMB1.8 million for the Previous Period to RMB6.0 million for the Current Period, mainly due to the increased in the provision for EIT of subsidiaries in Tianjin.

Non-controlling Interests

Non-controlling interests increased by 307.9% from RMB0.5 million for the Previous Period to RMB1.8 million for the Current Period. This was mainly attributable to the increase in the operating profit recorded by the non-wholly owned subsidiaries in Tianjin for the Current Period.

Profit and Comprehensive Income Attributable to the Owners of the Company

The net profit and comprehensive income attributable to the owners of the Company for the Current Period was RMB3.2 million, up by 1,403.3% from RMB0.2 million in the Previous Period. The basic and diluted earnings per share for the Current Period were both RMB0.09 cents, as compared with RMB0.01 cents for the Previous Period.

PROSPECTS

In late 2017, the Chinese government published the "Clean Winter Heating Plan for Northern China (2017-2021)" (北方地區冬季清潔取暖規劃(2017-2021)), stating the "2+26" key city development objective that covers Beijing-Tianjin-Hebei and surrounding areas and advocates replacing coal as a fuel with natural gas and electricity. With the support of such national policy, the Group will focus on growing and developing the new energy segment with unlimited potential.

The Group plans to actively expand its customer base and market share in Tianjin and strengthen its market standing. In the long term, the Group looks forward to extending coverage of its New energy business to other regions in northern China. Moreover, it will keep building a top-notch management team to help it boost competitiveness as a corporation. The management will also actively explore suitable acquisition opportunities and forge partnerships with strong industry players. As planned, it will direct more resources to the New energy business that it may widen its income sources and strengthen profitability.

What's noteworthy is that, subsequent to the period under review, in a bid to seize the strong demand for new energy in the market, the Group signed a cooperation framework agreement with Tractebel Engineering S.A. ("Tractebel") and Tianjin Jinre Heat-Supply Group Co. Ltd ("Jinre Group") on cooperation in such areas as coal-to-gas conversion heating projects, heating facilities and networks, energy efficiency management and construction of gas storage facilities. Tractebel is one of the world's largest engineering and consultancy companies. Armed with 150-plus-year of industry experience, it provides customers with first-class engineering and consultancy services in energy, water and infrastructure. It avails comprehensive technological services to customers across Europe, Africa, Asia, the Middle East and Latin America. As for Jinre Group, it is a key heat-supply enterprise in Tianjin. It is a specialized and well-established heat-supply group, which integrated its operation as the provision of heat-supply engineering construction, centralized heat-supply management, new technology research and development as well as material supply. The Group, Tractebel and Jinre Group will submit a feasible proposal to relevant government agencies as soon as possible, and expect to carry out relevant construction in this year in order to bring new income for the Group. The Group hopes the cooperation will enable it to upgrade its professional technologies, see it move closer to achieving the objective of offering more diverse integrated new energy services and start it on the journey towards a new milestone.

Furthermore, the management will continue to step up effort on reviewing and adjusting its strategy for Catering business with the hope of strengthening the profitability and foundation of the business. As for Property investment, the Group will continue to identify premium investment projects so as to secure stable rental income and bring better investment returns to shareholders.

CAPITAL STRUCTURE

As at 31 March 2018, the Company had an aggregate of 3,499,520,000 shares of HK\$0.00125 each in issue.

DIVIDENDS

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

FOREIGN CURRENCY EXPOSURE

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB, with some denominated in Hong Kong dollars. Some of the Group's cash and bank deposits were denominated in Hong Kong dollars, while others were denominated in RMB. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact on the Group. The Group managed its foreign exchange risks by performing regular review and monitoring of the foreign exchange exposure. The Group would consider employing foreign exchange hedging arrangements when appropriate and necessary. During the Current Period, the Group did not use any financial instruments for hedging purposes (Previous Period: Nil).

EVENTS AFTER THE REPORTING PERIOD

On 11 April 2018 the Group has signed a non-legally binding cooperation framework agreement (the "Cooperation Framework Agreement"), via its subsidiary Hua Xia Northern Technology Development (Tianjin) Limited, with Tractebel and Jinre Group on cooperation in such areas as coal-to-gas conversion heating projects, improving the service of heating facilities and networks, energy efficiency management and construction of gas storage facilities (the "Cooperation"). The Group, Tractebel and Jinre Group have agreed to jointly submit a feasible proposal regarding the scope of Cooperation to relevant government agencies as soon as possible. The Cooperation is expected to enable the Group to upgrade its professional technologies for grasping opportunities arising from the strong demand for clean new energy in Tianjin, as well as develop into an enterprise capable of offering diverse integrated new energy services. The Cooperation Framework Agreement is subject to the entering into of the formal agreement (the "Formal Agreement") which in relation to the Cooperation mention above. The Group will made further announcement as and when appropriate in accordance with the GEM Listing Rules when the Formal Agreement has been signed.

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

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme is valid and effective for a period of 10 years commencing on 12 December 2011 and may continue to be exercisable in accordance with their terms of issue. The Board may grant options to Directors and eligible employees of the Company or its subsidiaries to subscribe for shares in the Company at a consideration equal to the higher of the closing price of the shares of the Company on the Stock Exchange at the date of offer of grant and the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the options. Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1. Options may be exercised at any time from the date of grant of the share option up to the tenth anniversary of the date of grant as determined by the Directors at their discretion. The maximum number of shares of the Company in respect of which options may be granted, when aggregated with any other share option scheme of the Company, shall not exceed 30% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the Scheme. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as "refreshed" must not exceed 10% of the shares in issue as at the date of approval of the limit. 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 year 2017, 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. On 31 March 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 395,032,000 (31 March 2017: 118,720,000), representing 11.3% (31 March 2017: 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 31 March 2018 are as follows:

	Number of share options					Exercise period (both dates inclusive)	Exercise price HK\$	Closing price immediately before the date of grant HK\$
	At 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the Period	Outstanding as at 31 March 2018			
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	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. 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	145,544,000	-	-	-	145,544,000			
Employees								
	3,200,000	-	-	-	3,200,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	54,208,000	-	-	(328,000)	53,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	54,208,000	-	-	(328,000)	53,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	54,208,000	-	-	(328,000)	53,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Employees	165,824,000	-	-	(984,000)	164,840,000			

	Number of share options					Exercise period (both dates inclusive)	Exercise price HK\$	Closing price immediately before the date of grant HK\$
	At 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the Period	Outstanding as at 31 March 2018			
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	396,016,000	-	-	(984,000)	395,032,000			
Exercisable at the end of the period					52,480,000			

* 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 31 March 2018, the interests and short positions of the Directors and chief executives of the Company in the ordinary shares (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in ordinary shares of HK\$0.00125 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 Century 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 is also interested in 22,400,000 shares which beneficially 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, at 31 March 2018, 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 Previous Period.

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

As at 31 March 2018, so far as is known to the Directors, the following persons, not being Directors or chief executives of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Long position – Ordinary shares and underlying shares

Name	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital
Depot Up Limited ^(Note 1)	Beneficial owner	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, an 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 31 March 2018.
- 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 31 March 2018, the Directors are not aware of any other person other than the Directors and the chief executives of the Company who had, or was deemed to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "Share Option Scheme" and "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company" above, at no time during the three months ended 31 March 2018 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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") pursuant to a resolution of the Directors passed on 12 December 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph C.3.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; oversee internal control procedures and risk management matters of the Company. As at 31 March 2018, 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 first quarterly financial statements for the Current Period and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

By order of the Board

Northern New Energy Holdings Limited
Chan Wing Yuen, Hubert

Chief Executive Officer and Executive Director

Hong Kong, 11 May 2018

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.