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 Interim Report
二零一八年中期報告

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 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 *(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 six months ended 30 June 2018 (the "Current Period"), together with the unaudited comparative figures for the six months ended 30 June 2017 (the "Corresponding Period") as follows:

Financial Highlights

	For the period ended 30.6.2018		For the period ended 30.6.2017		
	RMB'000	**HK$'000***	RMB'000	HK$'000#	Increase
Revenue	**119,358**	**141,570**	56,522	65,124	111.2%
Gross profit[a]	**66,939**	**79,396**	27,073	31,193	147.3%
Profit and total comprehensive income for the period	**22,252**	**26,393**	3,409	3,928	552.7%
Profit and total comprehensive income attributable to the owners of the Company	**17,935**	**21,273**	1,992	2,295	800.4%
Dividend	**Nil**	**Nil**	Nil	Nil	
EBIT	**38,879**	**46,114**	8,479	9,769	358.5%
EBITDA	**43,546**	**51,650**	9,757	11,242	346.3%
Earnings per share					
Basic	**RMB0.005**	**HK$0.006**	RMB0.001	HK$0.001	400%
Diluted	**RMB0.005**	**HK$0.006**	RMB0.001	HK$0.001	400%

	As at 30.6.2018		As at 31.12.2017		Increase/ (decrease)
	RMB'000	**HK$'000***	RMB'000	HK$'000^	
Total assets	**524,673**	**622,314**	486,085	581,504	7.9%
Net Assets	**344,007**	**408,026**	294,661	352,503	16.7%
Bank balance and cash	**44,816**	**53,156**	95,608	114,376	(53.1)%
Equity attributable to owners of the Company	**297,091**	**352,379**	269,495	322,397	10.2%

Key Financial Indicators	**2018**	2017
Current ratio (times)[b]	**2.4**	3.6
Gross profit margin[c]	**56.1%**	47.9%
Net gearing ratio[d]	**0.8%**	1.2%
Net profit margin[e]	**18.6%**	6.0%
Return on average equity[f]	**6.3%**	0.9%

Notes:

(a) The calculation of gross profit is based on revenue minus cost of sales.

(b) The calculation of current ratio is based on current assets divided by current liabilities.

(c) The calculation of gross profit margin is based on gross profit divided by revenue.

(d) The calculation of net gearing ratio is based on total debt divided by total equity.

(e) The calculation of net profit margin is based on profit for the period divided by revenue.

(f) The calculation of return on average equity is based on profit attributable to the owners of the Company divided by average equity attributable to owners of the Company.

* Converted to HK$ at the exchange rate of RMB = HK$1.1861 on 30 June 2018 for reference.

Converted to HK$ at the exchange rate of RMB = HK$1.1522 on 30 June 2017 for reference.

^ Converted to HK$ at the exchange rate of RMB = HK$1.1963 on 31 December 2017 for reference.

Report on Review of Condensed Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF
NORTHERN NEW ENERGY HOLDINGS LIMITED
北方新能源控股有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Northern New Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 25, which comprises the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income for each of the three-month periods ended 30 June 2018 and 30 June 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
10 August 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	Three months ended 30.6.2018 RMB'000 (unaudited)	Three months ended 30.6.2017 RMB'000 (unaudited)	Six months ended 30.6.2018 RMB'000 (unaudited)	Six months ended 30.6.2017 RMB'000 (unaudited)
Revenue	3B	**61,176**	34,540	**119,358**	56,522
Cost of sales		**(20,896)**	(17,939)	**(52,419)**	(29,449)
Gross profit		**40,280**	16,601	**66,939**	27,073
Other income	4	**143**	402	**214**	469
Other gains and losses	5	**1,217**	(819)	**112**	(1,152)
Administrative expenses		**(12,572)**	(9,479)	**(25,803)**	(16,089)
Selling and distribution expenses		**(1,267)**	(729)	**(2,468)**	(1,822)
Loss on liquidation of a subsidiary	6	**–**	–	**(115)**	–
Profit before tax	7	**27,801**	5,976	**38,879**	8,479
Income tax expense	8	**(10,599)**	(3,233)	**(16,627)**	(5,070)
Profit and total comprehensive income for the period		**17,202**	2,743	**22,252**	3,409
Profit and total comprehensive income attributable to:					
– the owners of the Company		**14,733**	1,779	**17,935**	1,992
– non-controlling interests		**2,469**	964	**4,317**	1,417
		17,202	2,743	**22,252**	3,409
Earnings per share	9				
– Basic		**RMB0.004**	RMB0.001	**RMB0.005**	RMB0.001
– Diluted		**RMB0.004**	RMB0.001	**RMB0.005**	RMB0.001

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30.6.2018 RMB'000 (unaudited)	31.12.2017 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	**84,775**	2,383
Investment properties	12	**9,910**	9,910
Rental deposits		**275**	790
Interest in an associate	13	**–**	–
Amount due from an associate	14	**–**	–
		94,960	13,083
Current assets			
Inventories		**3,387**	3,565
Trade and other receivables	15	**381,510**	373,829
Bank balances and cash		**44,816**	95,608
		429,713	473,002
Current liabilities			
Trade and other payables	16	**153,424**	155,667
Contract liabilities/prepayment from customers		**10,794**	11,170
Amount due to a shareholder		**2,735**	2,739
Amount due to a director	17	**222**	422
Tax liabilities		**13,491**	21,426
		180,666	191,424
Net current assets		**249,047**	281,578
Net assets		**344,007**	294,661
Capital and reserves			
Share capital	18	**3,540**	3,540
Reserves		**293,551**	265,955
Equity attributable to owners of the Company		**297,091**	269,495
Non-controlling interests		**46,916**	25,166
Total equity		**344,007**	294,661

The condensed consolidated financial statements on pages 5 to 25 were approved and authorised for issue by the Board of Directors on 10 August 2018 and are signed on its behalf by:

Mr. Hu Yishi
DIRECTOR

Mr. Chan Wing Yuen, Hubert
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company							
	Share capital RMB'000	**Share premium** RMB'000	**Share option reserve** RMB'000	**Retained profits** RMB'000	**Special reserve** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total** 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	–	–	–	1,992	–	1,992	1,417	3,409
Exercised of share options	3	297	(100)	–	–	200	–	200
Recognition of equity-settled share based payments (note 19)	–	–	1,305	–	–	1,305	–	1,305
At 30 June 2017 (unaudited)	3,473	297	5,756	202,480	528	212,534	18,211	230,745
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	**-**	**-**	**-**	**17,935**	**-**	**17,935**	**4,317**	**22,252**
Acquisition of assets through acquisition of a non-wholly owned subsidiary (note 20)	**-**	**-**	**-**	**-**	**-**	**-**	**17,433**	**17,433**
Recognition of equity-settled share based payments (note 19)	**-**	**-**	**9,661**	**-**	**-**	**9,661**	**-**	**9,661**
At 30 June 2018 (unaudited)	**3,540**	**8,240**	**23,935**	**260,848**	**528**	**297,091**	**46,916**	**344,007**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Notes	Six months ended 30.6.2018 RMB'000 (unaudited)	30.6.2017 RMB'000 (unaudited)
OPERATING ACTIVITIES			
Cash generated from (used in) operations		**51,982**	(557)
Income tax paid		**(24,559)**	(33,385)
Net cash generated from (used in) operating activities		**27,423**	(33,942)
INVESTING ACTIVITIES			
Acquisition of a non-wholly owned subsidiary	20	**(78,397)**	–
Purchase of property, plant and equipment		**(51)**	(331)
Proceeds from disposal of property, plant and equipment		**437**	–
Purchase of an investment property		**–**	(3,984)
Net cash used in investing activities		**(78,011)**	(4,315)
FINANCING ACTIVITIES			
(Repayment to) advance from related parties		**(200)**	1,302
Repayment of advance from a shareholder		**(4)**	–
Proceeds from exercise of share options		**–**	200
Net cash (used in) generated from financing activities		**(204)**	1,502
Net decrease in cash and cash equivalents		**(50,792)**	(36,755)
Cash and cash equivalents at the beginning of the period		**95,608**	102,848
Cash and cash equivalents at the end of the period, represented by bank balances and cash		**44,816**	66,093

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the investment properties, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRS"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standard Board that are relevant for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendment
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to IFRS 9 Prepayment Features with Negative Compensation in advance of the effective date, i.e. 1 January 2019.

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The revenue of the Group is principally from the engineering consultancy, construction work and trading of industrial products related to new energy business (the "New energy business"); the operation of restaurants and sale of processed food and seafood in PRC (the "Catering business"); and property investment business (the "Property investment", (revenue from Property Investments is not within the scope of IFRS 15)).

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 Revenue from Contracts with Customers (continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 (continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. The Group has no contract asset at the date of initial application and as at 30 June 2018.

Revenue from restaurant operations

Revenue from restaurant operations is recognised at a point in time when control of the good and services underlying the performance obligation is transferred to the customer, i.e. when goods are sold and services are provided.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. As at 1 January 2018, the Group has prepayment from customers amounted to RMB11,170,000 were reclassified to contract liabilities at the initial application of IFRS 15.

Revenue from sales of processed food and industrial products

Revenue from sales of processed goods and industrial products are recognised at a point in time, when control of the good and services underlying the performance obligation is transferred to the customer, i.e. when goods are delivered.

Revenue from energy-related consultancy services and construction contracts

Revenue from energy-related engineering consultancy services and construction contracts is recognised when the engineering consultancy services and construction works are completed and certified by the customers. The Group recognised these revenue over time under IFRS 15. The Group has no outstanding construction contracts as at 30 June 2018 and 1 January 2018 respectively.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments

In the current period, the Group has applied IFRS 9 Financial Instruments and IFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. There is no changes in classification and measurement (apart from impairment under ECL model) on the Group's financial assets as at 1 January 2018 upon the application of IFRS 9.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments and the related amendments (continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk of other receivables has increased significantly since initial recognition when contractual payments are more than 30 days past due for the Catering business and when the payments are past due for the New energy business, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considered that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9.

2.2.2 Summary of effects arising from initial application of IFRS 9

Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables had been grouped based on shared credit risk characteristics and the days past due.

Loss allowances for other financial assets at amortised cost mainly comprise of bank balances and other receivables are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As the impact of adaption of IFRS 9 is immaterial, the adjustment is therefore not restated in the condensed consolidated statement of financial position as at 31 December 2017 or recognised against retained profits on 1 January 2018.

3A. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

Segments	For the six months ended 30 June 2018 Catering business RMB'000	New energy business RMB'000
Types of goods or service		
Catering business		
Operation of restaurants	**21,367**	**–**
Sales of processed food	**146**	**–**
	21,513	**–**
Trading of industrial products	**–**	**17,457**
Engineering consultancy services	**–**	**64,466**
Construction work	**–**	**15,867**
Total	**21,513**	**97,790**
Timing of revenue recognition		
A point in time	**21,513**	**17,457**
Over time	**–**	**80,333**
Total	**21,513**	**97,790**

3B. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments:

Segment information is presented below.

Six months ended 30 June 2018

	Catering business RMB'000	New energy business RMB'000	Property investment RMB'000	Segment total RMB'000	Total RMB'000
REVENUE					
External sales	**21,513**	**97,790**	**55**	**119,358**	**119,358**
RESULT					
Segment result	**(1,556)**	**60,966**	**47**	**59,457**	**59,457**
Unallocated corporate expenses					**(20,135)**
Loss on liquidation of a subsidiary					**(115)**
Net foreign exchange loss					**(328)**
Profit before tax					**38,879**

Six months ended 30 June 2017

	Catering business RMB'000	New energy business RMB'000	Property investment RMB'000	Segment total RMB'000	Total RMB'000
REVENUE					
External sales	23,230	33,110	182	56,522	56,522
RESULT					
Segment result	513	19,444	153	20,110	20,110
Unallocated corporate expenses					(10,479)
Net foreign exchange loss					(1,152)
Profit before tax					8,479

4. OTHER INCOME

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest income	**88**	31	**157**	73
Government subsidy (note)	**–**	370	**–**	370
Others	**55**	1	**57**	26
	143	402	**214**	469

Note: During the six months period ended 30 June 2018, a PRC subsidiary received nil (2017: RMB370,000) subsidies given by the PRC government for encouragement of its business development. There were no other specific conditions attached to the incentives and, therefore, the Group recognised the incentives upon receipt.

5. OTHER GAINS AND LOSSES

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Reversal of doubtful debts on trade receivables	**3**	–	**3**	–
Gain on disposal of property, plant and equipment	**437**	–	**437**	–
Net foreign exchange gain (loss)	**777**	(819)	**(328)**	(1,152)
	1,217	(819)	**112**	(1,152)

6. LOSS ON LIQUIDATION OF A SUBSIDIARY

During the period, the Group liquidated Shanghai Yin Jia Food Products Company Limited ("Yin Jia"), a wholly owned subsidiary of the Company, which engaged in the provision of 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. A loss on liquidation of RMB115,000 is resulted and charged to profit or loss for the period ended 30 June 2018.

7. PROFIT BEFORE TAX

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit before tax has been arrived after charging the following:				
Directors' emoluments	**2,992**	2,207	**6,191**	4,042
Salaries and other allowances	**4,476**	4,649	**9,256**	8,991
Retirement benefit scheme contributions, excluding those of Directors	**879**	700	**1,602**	1,434
Equity – settled share-based expenses, excluding those of Directors	**3,202**	925	**6,841**	925
	11,549	8,481	**23,890**	15,392
Auditors' remuneration	**180**	159	**180**	159
Depreciation of property, plant and equipment	**3,134**	634	**4,667**	1,278

8. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Enterprise income tax in the PRC				
Current tax	**10,265**	3,614	**16,293**	5,451
Overprovision in prior periods	**334**	(381)	**334**	(381)
	10,599	3,233	**16,627**	5,070

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit. No Hong Kong Profits Tax has been made as the Group's subsidiaries which operating in Hong Kong have incurred tax losses in both periods.

PRC

PRC subsidiaries located in Tianjin and Shanghai were subject to PRC Enterprise Income Tax ("EIT") at a rate of 25% for the six months ended 30 June 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.

9. 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		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**14,733**	1,779	**17,935**	1,992

The 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:

	Three months ended		Six months ended	
	30.6.2018	30.6.2017	**30.6.2018**	30.6.2017
	'000	'000	**'000**	'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Weighted average number of shares used in the calculation of basic earnings per share	**3,499,520**	3,435,296	**3,499,520**	3,434,288
Shares deemed to be issued in respect of:				
– Share options	**34,944**	15,108	**34,119**	37,395
Weighted average number of shares used in the calculation of diluted earnings per share	**3,534,464**	3,450,404	**3,533,639**	3,471,683

10. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2018 and 30 June 2017. The Directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2018 and 30 June 2017.

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment amounting to approximately RMB87,008,000 (six months ended 30 June 2017: Nil) upon the completion of the acquisition of assets through an acquisition of a non-wholly owned subsidiary and acquired property, plant and equipment amounting to approximately RMB51,000 (six months ended 30 June 2017: approximately RMB331,000) for the purpose of the Group's operation. Details of the acquisition of assets through acquisition of a non-wholly owned subsidiary are set out in note 20.

During the current interim period, the group disposed of certain fully depreciated property, plant and equipment for cash proceeds of approximately RMB437,000 (six months ended 30 June 2017: nil).

12. INVESTMENT PROPERTIES

	RMB'000
AT FAIR VALUE	
At 1 January 2017	5,124
Additions	3,984
Gain on fair value change	802
At 31 December 2017 and 30 June 2018	9,910

The Group's investment properties are situated in the PRC and held under medium term lease. From the second quarter of 2018, the two premises were vacant and pending for new leases. The Directors of the Company have determined that the investment properties are commercial properties, based on the nature, characteristics and risks of the property.

As at 30 June 2018, management of the Company estimated the fair value of the investment properties by reference to the recent market transactions and considered that the fair value is approximately to its carrying amount.

13. INTEREST IN AN ASSOCIATE

	30.6.2018 RMB'000 (unaudited)	31.12.2017 RMB'000 (audited)
Cost of unlisted investment in an associate	**400**	400
Deemed capital contribution (note)	**1,705**	1,705
Share of post-acquisition losses	**(2,105)**	(2,105)
	–	–

Note: Deemed capital contribution represents the imputed interest on interest-free loans to an associate, Dong Hai Noble House Food and Beverage Co., Ltd. ("Dong Hai Noble House").

14. AMOUNT DUE FROM AN ASSOCIATE

	30.6.2018 RMB'000 (unaudited)	31.12.2017 RMB'000 (audited)
Dong Hai Noble House – non-trade	**7,370**	7,370
Less: Impairment loss recognised	**(7,370)**	(7,370)
	–	–

15. TRADE AND OTHER RECEIVABLES

Generally, there was no credit period for sales from the Catering business, except for certain well established, corporate customers for which the credit terms are up to 90 days.

For the New energy business, the settlement period according to contract terms is generally within one year after the completion of energy-related system design, consultancy engineering and construction work.

The aged analysis of the Group's trade receivables based on invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	30.6.2018 RMB'000 (unaudited)	31.12.2017 RMB'000 (audited)
Trade receivables for Catering business:		
0 – 30 days	**294**	482
31 – 60 days	**119**	264
61 – 90 days	**412**	12
91 – 120 days	**–**	14
121 – 150 days	**5**	6
151 – 180 days	**73**	35
Over 180 days	**874**	1,152
Less: allowance for doubtful debts for trade receivables	**(24)**	(26)
	1,753	1,939
Trade receivables for New energy business:		
Within settlement period	**219,090**	195,885
Past due	**120,626**	156,011
	339,716	351,896
Total trade receivables	**341,469**	353,835
Other receivables and deposits:		
Prepayments to suppliers	**15,842**	14,825
Prepayment for operating expenses	**1,414**	1,243
Other receivables and deposits	**22,854**	3,995
Less: allowance for doubtful debts for other receivables	**(69)**	(69)
	40,041	19,994
	381,510	373,829

As part of Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers because the Group has a large number customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the judgment of the management of the Group, the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix is negligible at 30 June 2018.

15. TRADE AND OTHER RECEIVABLES (continued)

The Group has credit policies in place to evaluate the creditworthiness of debtors. In addition, the Group will pay close attention to the schedule of collections so that the credit risks related to such receivables are minimised.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The Directors of the Company are of the opinion that no additional provision is necessary on the basis periodic payments have been received from the counterparties, no losses have been experienced in the past as well as no adverse change is anticipated in the business environment.

16. TRADE AND OTHER PAYABLES

The credit period for purchases of the Catering business is 30 – 60 days.

For the New energy business, the settlement period is stated in according to contract terms, generally within one year after the completion of construction and energy related work.

The following is an ageing analysis of the Group's trade payables based on invoice date:

	30.6.2018 **RMB'000** **(unaudited)**	31.12.2017 RMB'000 (audited)
Trade payables:		
0 – 30 days (Note)	**95,418**	103,026
31 – 60 days	**363**	14,536
61 – 90 days	**1,522**	1,763
91 – 180 days	**10,351**	3,997
Over 180 days	**33,830**	19,829
	141,484	143,151
Other payables:		
Accruals	**1,324**	1,891
Other payables	**5,714**	4,916
Employee benefits payable	**1,216**	1,446
Other taxes payable	**3,686**	4,263
	11,940	12,516
	153,424	155,667

Note: Included in the amount represents trade payables of RMB86,843,000 (2017: RMB88,763,000) from the New energy business, which are not yet due at period end and are within the settlement period according to the contract terms is generally within one year after the completion of system design, consultancy, engineering and construction work.

17. AMOUNT DUE TO A DIRECTOR

	30.6.2018	31.12.2017
	RMB'000	RMB'000
	(unaudited)	(audited)
Amount due to a director	**222**	422

The amount due to a director is denominated in RMB, unsecured, non-interest bearing and repayable on demand.

18. SHARE CAPITAL

	Number of shares	**Share capital**	
	'000	HK$'000	RMB'000
Authorised			
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018 – Ordinary shares of HK$0.00125 each	64,000,000	80,000	
Issued and fully paid			
– Ordinary shares of HK$0.00125 each			
At 1 January 2017	3,433,280	4,292	3,470
Exercise of share options (note)	2,240	3	3
At 30 June 2017	3,435,520	4,295	3,473
At 1 January 2018 and 30 June 2018	3,499,520	4,375	3,540

Note:

During the period ended 30 June 2017, an aggregate of 2,240,000 new shares were issued and allotted upon the exercise of share options with exercise price of HK$0.10125 granted on 25 November 2014. The gross proceeds from the exercise of share options are approximately HK$226,800 (equivalent to RMB200,000).

19. SHARE-BASED PAYMENTS TRANSACTIONS

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.

19. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

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.

On 25 November 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 period ended 30 June 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. As at 30 June 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 395,032,000 (30 June 2017: 460,016,000), representing 11.3% (30 June 2017: 13.4%) of the shares of the Company in issue at that date.

Option type	Date of grant	Exercise period	Exercise price	Fair value at grant date
Option to directors				
Option A (note 1)	25/11/2014	25/11/2014-24/11/2021	HK$0.10125#	HK$0.0501#
Option C (note 2)	09/06/2017	09/06/2018-09/06/2024	HK$0.289	HK$0.1262
Option D (note 3)	09/06/2017	09/06/2019-09/06/2024	HK$0.289	HK$0.1273
Option E (note 4)	09/06/2017	09/06/2020-09/06/2024	HK$0.289	HK$0.1287
Option to consultants				
Option F (note 2)	09/06/2017	09/06/2018-09/06/2024	HK$0.289	HK$0.1320
Option G (note 3)	09/06/2017	09/06/2019-09/06/2024	HK$0.289	HK$0.1320
Option H (note 4)	09/06/2017	09/06/2020-09/06/2024	HK$0.289	HK$0.1320
Option to employees				
Option B (note 1)	25/11/2014	25/11/2014-24/11/2021	HK$0.10125#	HK$0.0455#
Option I (note 2)	09/06/2017	09/06/2018-09/06/2024	HK$0.289	HK$0.1117
Option J (note 3)	09/06/2017	09/06/2019-09/06/2024	HK$0.289	HK$0.1170
Option K (note 4)	09/06/2017	09/06/2020-09/06/2024	HK$0.289	HK$0.1219

adjusted by share subdivision on 20 May 2016.

Notes:

1. Option were granted and vested on the date of 25 November 2014, which shall be exercisable immediately until expiry of the period from 25 November 2014 to 24 November 2021 (both dates inclusive).
2. Option shares were vested upon the first anniversary of the date of granted, being 9 June 2018, which shall be exercisable immediately until expiry of the period from 9 June 2018 to 9 June 2024 (both dates inclusive).
3. Option shares will be vested upon the second anniversary of the date of granted, being 9 June 2019, which shall be exercisable immediately until expiry of the period from 9 June 2019 to 9 June 2024 (both dates inclusive).
4. Option shares will be vested upon the third anniversary of the date of granted, being 9 June 2020, which shall be exercisable immediately until expiry of the period from 9 June 2020 to 9 June 2024 (both dates inclusive).

19. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

The following table discloses movement of the Company's share options during the period ended 30 June 2017:

Option type	1.1.2017 '000	Granted '000	Exercised '000	Lapsed '000	Outstanding at 30.6.2017 '000
Option A	73,920	–	(2,240)	–	71,680
Option B	44,800	–	–	–	44,800
Option C	–	32,088	–	–	32,088
Option D	–	32,088	–	–	32,088
Option E	–	32,088	–	–	32,088
Option F	–	28,216	–	–	28,216
Option G	–	28,216	–	–	28,216
Option H	–	28,216	–	–	28,216
Option I	–	54,208	–	–	54,208
Option J	–	54,208	–	–	54,208
Option K	–	54,208	–	–	54,208
	118,720	343,536	(2,240)	–	460,016

The following table discloses movement of the Company's share options during the period ended 30 June 2018:

Option type	**1.1.2018 '000**	**Granted '000**	**Exercised '000**	**Lapsed '000**	**Outstanding at 30.6.2018 '000**
Option A	**49,280**	**–**	**–**	**–**	**49,280**
Option B	**3,200**	**–**	**–**	**–**	**3,200**
Option C	**32,088**	**–**	**–**	**–**	**32,088**
Option D	**32,088**	**–**	**–**	**–**	**32,088**
Option E	**32,088**	**–**	**–**	**–**	**32,088**
Option F	**28,216**	**–**	**–**	**–**	**28,216**
Option G	**28,216**	**–**	**–**	**–**	**28,216**
Option H	**28,216**	**–**	**–**	**–**	**28,216**
Option I	**54,208**	**–**	**–**	**(328)**	**53,880**
Option J	**54,208**	**–**	**–**	**(328)**	**53,880**
Option K	**54,208**	**–**	**–**	**(328)**	**53,880**
	396,016	**–**	**–**	**(984)**	**395,032**

No share option was granted during the six months ended 30 June 2018.

In respective of the share options exercised during the period ended 30 June 2017, the weighted average share price immediately before the date of exercise was HK$0.383.

The estimated fair values of the options granted on 9 June 2017 at the date of grant was approximately HK$42,444,000 (equivalent to RMB36,838,000). These fair values were calculated using the binomial option pricing model.

The inputs into the model were as follows:

Share price	HK$0.280
Exercise price	HK$0.289
Expected life	7 years
Expected volatility	46.38%
Dividend yield	0%
Risk-free interest rate	1.04%

Expected volatility was determined based on the average of historical share price volatilities of the Company, which were the annualised standard deviation of daily return of the Company's share price as reported by Bloomberg. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised an expense of HK$11,877,000 (equivalent to RMB9,661,000) in relation to share options granted by the Company for the period ended 30 June 2018 (30 June 2017: HK$1,480,000 (equivalent to RMB1,305,000)).

20. ACQUISITION OF ASSETS THROUGH AN 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. Tianjin Jin Re Natural Gas Sales Company Limited is permitted to engage 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.

Details of the net assets acquired in the transaction are as below:	RMB'000
Property, plant and equipment (note 11)	87,008
Trade and other receivables	9,993
Bank balances and cash	3
Trade and other payables	(1,171)
Net assets	95,833
Less: non-controlling interest	(17,433)
Total cash consideration	78,400

Net cash outflow arising on acquisition:	RMB'000
Consideration paid in cash	78,400
Less: bank balances and cash acquired	(3)
	78,397

21. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with the related party:

Name of related party	Nature of transaction	**30.6.2018 RMB'000 (unaudited)**	30.6.2017 RMB'000 (unaudited)
上海龐迪商貿有限公司 (Note)	Purchase of inventories	–	321

Note: 上海龐迪商貿有限公司 is a company beneficially owned by the director of the Company's subsidiary.

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.

23. EVENTS AFTER THE END OF REPORTING PERIOD

Pursuant to the Company's announcement dated 17 July 2018, the Company had the following events after the reporting period:

The Board proposes to change the English name of the Company from "Northern New Energy Holdings Limited" to "Zhonghua Gas Holdings Limited" and to adopt "中華燃氣控股有限公司" as the new dual foreign name in Chinese of the Company to replace "北方新能源控股有限公司" (the "Change of Company Name").

The proposed Change of Company Name will be subject to the following conditions:

(i) the passing of a special resolution by the Shareholders approving the Change of Company Name at an extraordinary general meeting; and

(ii) the necessary approval of the Registrar of Companies in Cayman Islands (the "Registrar of Companies") in relation to the Change of Company Name.

Subject to the satisfaction of the conditions set out above, the new English name and new dual foreign name in Chinese of the Company will take effect on the date of issue of the Certificate of Incorporation on Change of Name by the Registrar of Companies. The Company will then carry out all the necessary registration and/or filing procedures with the Registrar of Companies and the Companies Registry in Hong Kong. Up to the date of this report, the proposed change of name is yet to complete.

* For identification purpose only

Management Discussion and Analysis

BUSINESS REVIEW

The Group started the year of 2018 with a business objective of achieving diversification for its promising New energy business. For the Current Period, the Group adopted the dual-track development business strategy for its two business segments – the New energy business and the Catering business. During the Current Period, the Group continued to gradually expand the New energy business, while strived to strengthen the Catering business.

For the Current Period, both the New energy business delivered solid contribution while the Catering business remained stable. The Group's income increased by 111.2% year-on-year to RMB119.4 million and net profit after taxation was up by 552.7% to RMB22.3 million. The increase was mainly due to seasonality effect of the New Energy business and the profit for the Current Period was resumed to the similar level for the period ended 30 June 2016.

New Energy Business

For the Current Period, the Group continued to provide diverse integrated new energy services in Tianjin, provided technological development and consultancy services in relation to heat supply and coal-to-natural gas conversion solutions to customers in Tianjin, coupled with trading of new energy related industrial products. It has completed contracts for construction of outdoor pipeline network and engineering projects including upgrade for de-sulfurization of boiler tower.

The Group during the Current Period obtained approval for a 5-year tax concession applications with relevant government departments in Tianjin as incentives granted for technology innovation and talents retention. Such concessions would bring in positive contribution to the Group on the financial performance.

Since the second half of 2015, the Group proactively develops its New energy business through providing excellent professional services, the Group has established a strong foothold in Tianjin within two years for its technological development, consultancy services as well as engineering projects in relation to heat supply and coal-to-natural gas conversion solution. Therefore, the Group further kicked off the acquisition and cooperation move to boost its business scope and service quality.

In February 2018, the Group completed the acquisition of 81.8% stake of Tianjin Jin Re Natural Gas Sales Company Limited ("TJR") from independent third parties. TJR is a company engaged in operation of liquefied natural gas ("LNG") stations, including purchase and receipt from third parties, and sale and transmission of natural gas (including LNG). It holds two LNG stations in Beichen District, Tianjin, both in prime geographic locations and at the junction of many trunk roads. One of them is the largest LNG storage tank in Tianjin, located next to the North Outer Ring Line, Beichen District. The other is located in the Beichen Industrial Park, which is the only industrial park with facilities dedicated to the pharmaceutical and medical industry in Tianjin and is home to a number of leading state-owned enterprises.

TJR has started delivering contribution to the Group when it became the Group's subsidiary in February 2018. The Group has been actively applying for the necessary license and permit which would enable it to start the LNG business immediately. For the Current Period, the Group obtained a dangerous chemicals business operation license. The business integration followed the acquisition successfully helped the Group diversifying the businesses to cover sale of natural gas; gas pipeline engineering; sale, installation and maintenance of gas transmission equipment; development, consultation, service and transfer of heat supply technology; and development of new energy technology.

The Group committed to lift its industry standard via cooperation with resourceful industry players. In April 2018, the Group signed a cooperation framework agreement, via its subsidiary Hua Xia Northern Technology Development (Tianjin) Limited, with Tractebel Engineering S.A. ("Tractebel") and Tianjin Jinre Heat-Supply Group Co. Ltd ("Jinre Group"). The cooperation is progressing in good shape.

Catering Business

During the Current Period, the Group continued to strengthen the Catering business in order to optimize the resources and performance. Loss was recorded for the Current Period but maintained at low and stable levels. As at 30 June 2018, the Group owned four "Noble House" restaurants in Shanghai, the PRC, 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 strengthen the overall operating efficiency of the segment, the Group completed the liquidation of its underperformed subsidiary "Shanghai Yin Jia Food Products Co., Ltd." which mainly produces non-staple food products during the Current Period.

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 the second quarter of 2018, the premises were vacant pending for new leases and therefore a slight drop in income for the Current Period. In August 2018, the two premises have been successfully leased out under medium term lease.

FINANCIAL REVIEW

Revenue

For the Current Period, revenue of the Group amounted to RMB119.4 million, representing a significant increase of 111.2% from RMB56.5 million for the Corresponding Period. The increase was mainly attributable to RMB64.7 million increase of revenue from the New energy business during the Current Period.

New Energy Business

For the Current Period, the Group recognized revenue of RMB97.8 million (Corresponding Period: RMB33.1 million) from the New energy business segment, accounting for 81.9% (Corresponding Period: 58.6%) of the Group's total revenue. It was mainly attributable to the income generated from the completion of contracts for construction of outdoor pipeline network projects, engineering projects upgrade for de-sulfurization of boiler tower, technical services in relation to coal-tonatural 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

The Group recorded revenue of RMB21.5 million from the Catering business as compared to RMB23.2 million in the Corresponding Period. Revenue from the Catering business included RMB21.0 million from restaurant operations (Corresponding Period: RMB22.7 million), RMB0.1 million from the sales of processed food and seafood products (Corresponding Period: RMB0.3 million), RMB0.2 million from the external operation contracting (Corresponding Period: RMB0.2 million) and RMB0.2 million from the provision of management services (Corresponding Period: Nil). The decrease in revenue was mainly due to the reduced revenue from the operating restaurants. We stayed focus to adjust our business and operational strategies in meeting the market changes.

Property Investment

The Property investment segment recorded revenue of RMB0.1 million (Corresponding Period: RMB0.2 million). For the second quarter of 2018, the premises were vacant pending for new leases and therefore recorded a slight drop in income for the Current Period.

Cost of Sales

The cost of sales for New energy business increased to RMB34.1 million as compared to RMB11.1 million in the Corresponding Period. The increase was mainly a result of the greater number of projects completed during the Current Period as compared with the Corresponding Period. Cost of sales of the Catering business decreased by 3.2% from the Corresponding Period RMB18.9 million to the Current Period RMB18.3 million, mainly a result of the adoption of an optimized business model.

Gross Profit Margin

Gross profit represents revenue less cost of sales. Gross profit margin of the New energy business segment remained at around 66.0%. The gross profit margin of the Catering business slightly decreased from 18.9% in the Corresponding Period to 14.7% 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% (Corresponding Period: 100%).

Other Gains and Losses

Other gains of RMB0.1 million were recorded in the Current Period compared to other losses of RMB1.2 million in the Corresponding Period, mainly due to the decrease of the net foreign exchange loss in the Current Period.

Administrative Expenses

Administrative expenses increased by 60.4% from RMB16.1 million for the Corresponding Period to RMB25.8 million for the Current Period. The increase was mainly due to the RMB9.7 million 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 was RMB16.6 million (Corresponding Period: RMB5.1 million) from mainly the provision for enterprise income tax of subsidiaries in Tianjin.

Non-controlling Interests

Non-controlling interests recorded a gain of RMB4.3 million in the Current Period (Corresponding Period: RMB1.4 million). This was mainly attributable to the operating profit recorded by the non-wholly owned subsidiaries in Tianjin.

Profit and Total Comprehensive Income Attributable to the Owners of the Company

Net profit and total comprehensive income attributable to the owners of the Company recorded a sharp increased by 800.4% from RMB2.0 million for the Corresponding Period to RMB17.9 million for the Current Period. Basic and diluted earnings per share were both RMB0.5 cents, as compared to RMB0.1 cents in the Corresponding Period.

Related Party Transactions and Connected Transactions

During the Current Period, all transactions as set out in note 21 of the condensed consolidated financial statements were entered into by the Group in the ordinary and usual course of business and on normal commercial terms.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, bank balances and cash maintained by the Group were RMB44.8 million, representing a decrease of 53.1% from RMB95.6 million as at 31 December 2017, which was largely due to the payment of cost of acquisition of a subsidiary in Tianjin and the provision of tax liabilities for last year has been settled. Trade and other receivables were RMB381.5 million, slightly up by 2.1% from RMB373.8 million as at 31 December 2017, which mainly represented the increase in trade receivables from completion of several projects in Tianjin. Trade and other payables decreased from RMB155.7 million as at 31 December 2017 to RMB153.4 million, or 1.4%, which mainly reflected settlement in trade payables. Tax liabilities decreased from RMB21.4 million as at 31 December 2017 to RMB13.5 million, or 37.0%, from settlement of tax provisions for last year. As a result, the Group's current assets and current liabilities as at 30 June 2018 were RMB429.7 million and RMB180.7 million (31 December 2017: RMB473.0 million and RMB191.4 million) respectively.

The Group had no bank borrowings as at 30 June 2018. Gearing ratio of the Group, measured as total debt to total equity, was stable at 0.8% as at 30 June 2018 (31 December 2017: 1.1%). The Group recorded net assets of RMB344.0 million as at 30 June 2018 compared to RMB294.7 million as at 31 December 2017. The increase was mainly due to the net profit recorded during the Current Period, increase in non-controlling interest through completion on acquisition of a non-wholly owned subsidiary in Tianjin and recognition of equity-settled share based payments. During the Current Period, the Group financed its operations mainly with funds from internal resources.

PROSPECTS

In late 2017, the Chinese government unveiled the "Clean Winter Heating Plan for Northern China (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. The large-scale transition needs adequate gas distribution capacity which presents enormous development opportunities for the Group to expand and growth its New energy business.

Following acquisition of TJR, the Group's market share and industry presence are enhanced. Further, the Group's cooperation with Tractebel and Jinre Group in areas of coal-to-gas conversion heating projects, heating facilities and networks, energy efficiency management and construction of gas storage facilities will empower it to further expand its business scopes as well as service quality.

The Group also plans to extend its business scopes to develop the trading and supply of liquefied natural gas via working with LNG suppliers (including overseas suppliers). The management will continue to keep eyes to explore suitable acquisition opportunities and forge partnerships with strong industry players in order to grow the New energy business.

The Group announced on 17 July 2018 to propose to change its English name to "Zhonghua Gas Holdings Limited" to reflect its focus on developing its New energy business and intends to expand its market footprint into whole China, even extending to the Greater China Region, and the Group intends to ultimately develop the Group into a leading diversified and integrated new energy service provider in the Greater China Region.

As for the Catering business, the management will review and adjust its business strategy to optimize its business performance. Even competition of the Catering business remains keen, the Group will develop the business steadily. It expects to enhance the operational efficiency and boost the profitability through continuous business integration. Meanwhile, the Group will continue to identify premium investment properties so as to balance secure stable rental income and bring better investment returns to shareholders.

CAPITAL STRUCTURE

As at 30 June 2018, 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 June 2018, the Company has utilized all of the proceeds HK$86,649,000 (equivalent to RMB68,511,000) for general working capital in the operation of the Group.

In addition, as at 30 June 2018, 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. 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 (Corresponding Period: Nil).

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

Save as disclosed in note 20 to the condensed consolidated financial statements, there was no significant investments held, material acquisitions or disposal of subsidiaries and affiliated companies during the Current Period. There is no plan for material investments or capital assets as the date of this report.

AUDIT COMMITTEE AND INDEPENDENT REVIEW BY EXTERNAL AUDITOR

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 June 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 results announcement and interim report for the six months ended 30 June 2018 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made. The committee also monitored the Company's progress in implementing the code provisions of corporate governance practices as required under the GEM Listing Rules.

The Group's external auditor, Deloitte Touche Tohmatsu, has been appointed to review the interim financial information. On the basis of their review, they are not aware of any material modifications that should be made to the interim financial information for the six months ended 30 June 2018.

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 and one of the executive Directors were unable to attend the Company's annual general meeting held on 1 June 2018.

Save as disclosed above, the Directors are of the opinions that the Company and the Broad had complied with the Corporate Governance Code throughout the Current Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("THE MODEL CODE")

The Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also had made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2018.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities.

CHARGE ON GROUP ASSETS

As at 30 June 2018, the Group did not have any pledged assets. (31 December 2017: Nil).

EMPLOYMENT AND REMUNERATION OF EMPLOYEES

As at 30 June 2018, the Group had approximately 231 full time employees in the PRC and 14 staff in Hong Kong. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for reviewing and restructuring our existing business. Remuneration is maintained at competitive levels with discretionary bonuses payable on a merit basis and in line with industrial practice. Other staff benefits provided by the Group include mandatory provident fund, insurance schemes and performance related bonus.

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. As at 30 June 2018, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 395,032,000 (30 June 2017: 460,016,000), representing 11.3% (30 June 2017: 13.4%) 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 June 2018 are as follows:

	At 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the Period	Outstanding as at 30 June 2018	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	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**			
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					**166,664,000**			

* 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 30 June 2018, 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	461,000,000	13.17%
Ms. Lin Min, Mindy	2	Interest of controlled corporation and beneficial owner	489,088,000	13.98%

Notes:

1. 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 13,000,000 shares held by Front Riches Investments Limited, a company 100% controlled by Mr. Hu Yishi.
2. 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, as at 30 June 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 Corresponding Period.

CHANGE IN INFORMATION OF DIRECTORS

There is no change of Directors' biographical details required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at 30 June 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	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 June 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 30 June 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 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.

By order of the Board
Chan Wing Yuen, Hubert
Chief Executive Officer and Executive Director

Hong Kong, 10 August 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.

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.