



(Incorporated in the Cayman Islands with limited liability)
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Northern New Energy Holdings Limited
北方新能源控股有限公司

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT
2016

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About the Group

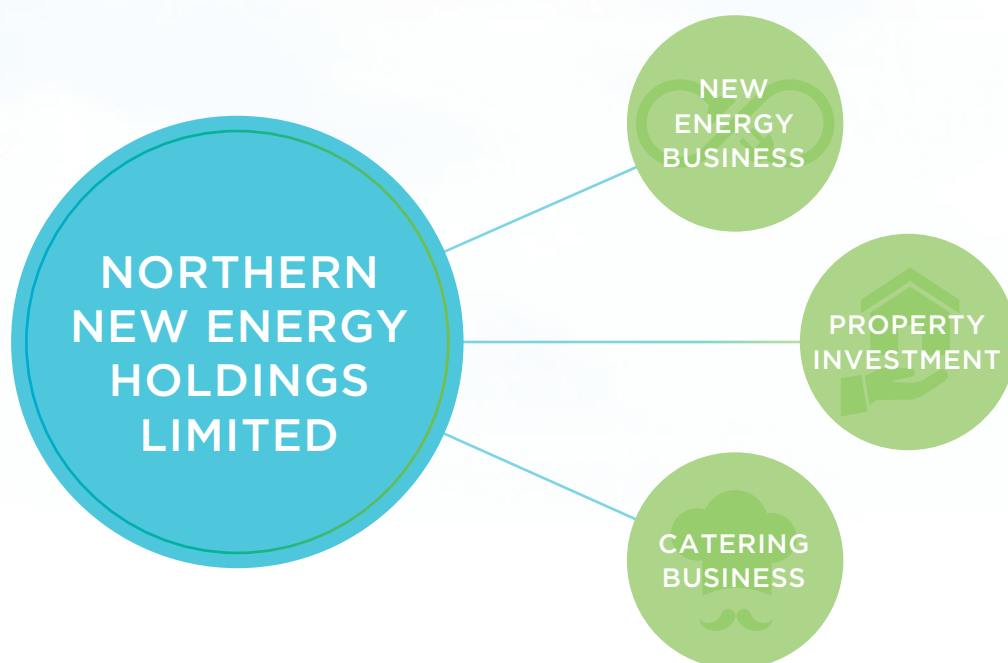
Northern New Energy Holdings Limited ("Northern New Energy" or the "Group") is principally engaged in new energy development business, research and development on its relevant technologies and construction engineering (the "New Energy Business"), operation of restaurants, provision of management services, sale of processed food and seafood (the "Catering Business") and property investment business (the "Property Investment").

Northern New Energy has officially commenced the New Energy Business in the second half of 2015. The Group provides technological development and consultation services in new energy projects, and contract engineering projects in relation to coal-to-natural gas conversion heating projects, including the conversion, installation or construction of LNG tanks, carburetors, non-standard pressure regulator equipment, gas boilers, pipeline of outdoor network in large-scale heating plants and bag filters.

Northern New Energy owns and operates four "Noble House" restaurants in Shanghai, the PRC. It also operates the trading business of supplemental food products under the brand of "Noble House". In view of the consumption patterns of the customers have been changing, the Group will review and restructure this business in 2017.

As to the Property Investment, it is expected the investment in properties will generate stable rental income for Northern New Energy, therefore, the Group will continue to pursue investment projects with stable returns.

BUSINESS STRUCTURE OF THE GROUP



About this Report

This report is the first Environmental, Social and Governance ("ESG") Report issued by Northern New Energy, to disclose, in a transparent and public manner, the Group's actions and performance on sustainable development, to enhance stakeholders' confidence in and understandings of the Group.

REPORTING YEAR

All information contained herein reflects the performance of Northern New Energy in respect of environmental protection and social care from January 2016 to December 2016. Subsequently, the Group will publish an ESG Report on a regular basis each year, which can be accessed by the public at any time, to continuously enhance the transparency and commitment of its information disclosure.

SCOPE OF REPORT

The report focuses on the principal businesses of Northern New Energy, i.e. the operation of New Energy Business in Tianjin as its foothold¹, and operation of Shanghai Lao Fang Zi Food and Beverage Co., Ltd. ("Shanghai Noble House Pudong Restaurant") under its Catering Business, excluding other restaurants². The scope of disclosure will be expanded to an extent that cover all of our operations after the Group's data collection system becomes more mature and our ESG practices further develop. This report does not include the disclosure of environmental key performance indicators. The Group will conduct an assessment on carbon emission next year to further optimize and standardize the reporting metrics.

REPORTING STANDARDS

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It summarizes the performance of Northern New Energy on environment and social aspects in a simplified manner, while the performance of governance aspect has been disclosed in the Corporate Governance Report set out in the annual report of the Group. The information contained herein is sourced from official documents and statistics of the Group, as well as the combined information about control, management and operations provided by its subsidiaries in accordance with the Group's relevant policies. A complete content index is appended in the last chapter hereof for quick reference. This report is prepared in both Chinese and English and is available on the Group's website www.8246hk.com. In the event of inconsistency, the Chinese version shall prevail.

FEEDBACKS

Our continuous improvements rely on your valuable opinions on the content and forms of this report. If you are in doubt or have any recommendations, you are welcome to email us at info@8246hk.com so that the Group is able to constantly enhance its ESG performance.

¹ Operated by the Group's subsidiaries, namely Hua Xia Northern New Energy Technology Development (Tianjin) Limited and Hua Xia Northern Technology Development (Tianjin) Limited.

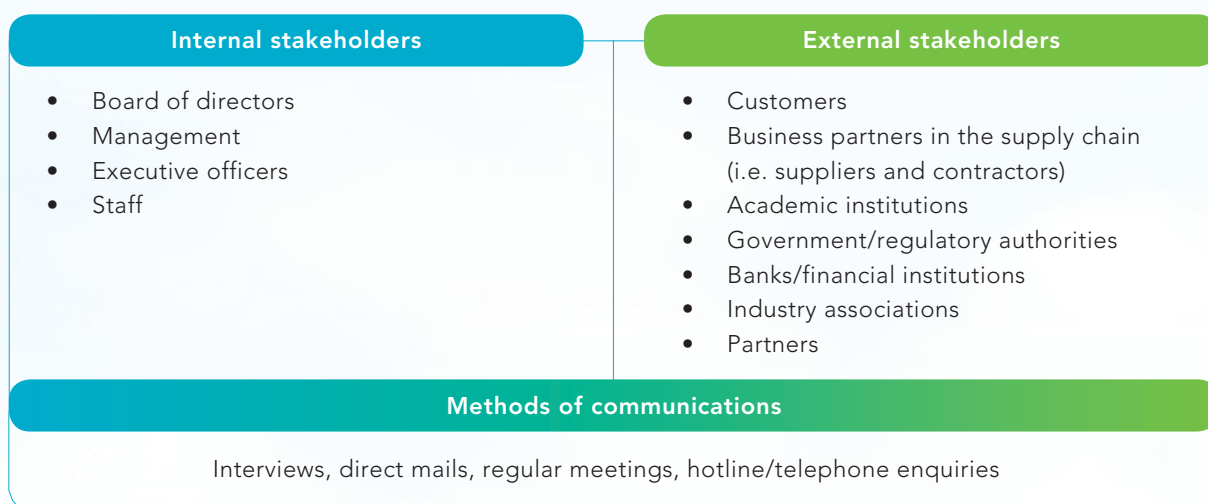
² Operated by the Group's subsidiaries, namely Shanghai Noble House Food Service Management Co., Ltd and Shanghai Lao Fang Zi Food and Beverage Co., Ltd.

Communication with the Stakeholders

The Stock Exchange proposed four reporting principles in the Guide, including Materiality, Quantitative, Balance and Consistency, as the preparation basis of the ESG report. As stated by the Stock Exchange, stakeholder engagement is a widely employed method for assessing materiality. By communicating with the stakeholders, corporations are able to understand their opinions, and identify crucial environmental and social issues.

For Northern New Energy, stakeholders represent groups and individuals who have significant impacts on the Group's business, or those who are affected by the Group's business. The Group's stakeholders include not only staff, but also customers, business partners, investors, regulators and various community groups. During the past year, the Group communicated with key stakeholders through various channels. In preparation of this report, the Group engaged a professional consultant to conduct a substantive analysis by interviewing management, and incorporated the advices of the professional consultant to clarify important reporting issues and to determine the direction of the Group's sustainable development.

METHODS OF COMMUNICATIONS WITH THE STAKEHOLDERS DURING THE REPORTING PERIOD



The business of Northern New Energy has impacts on various stakeholders, while stakeholders have different expectations over the Group. Looking ahead, for a more refined substantive analysis, the Group will continuously strengthen communication with its stakeholders, and extensively collect their opinions in numerous ways. In the meantime, the Group will also refine the reporting principles in terms of quantitativeness, balance and consistency, to define the content of the report and the presentation of information in a way which is more likely to meet the stakeholders' expectations.



Message from the Management

“ To work diligently and pursue further business development in the new energy sector, leveraging our business to exert more positive impacts on the environment and society. ”

In view of the increasing global demands for clean energy, the Chinese government is also vigorously promoting “coal-to-natural gas” conversion projects, aiming to curb the smog pollution and to cope with climate changes. The development blueprint of Northern New Energy is in line with the State’s policy direction and the international trends. Operating the Catering Business in parallel, the Group has strategically expanded to the new energy sector in 2015, to capture sustainable development opportunities arising from the market transformation.

Leveraging the expertise of our engineering team, Northern New Energy provides customers with assistance in upgrading their equipment and monitoring the smoke emission of coal boilers, or conducting “coal-to-natural gas” conversion for the urban heat supply systems, thereby implementing cleaner and more efficient energy initiatives. The Group proactively follows with the national energy reform policies and makes contribution to environmental protection through our core business.

Northern New Energy strongly believes that talents are the driving forces in its development. In addition to basic salary, social security funds and various welfare and allowances, we also reward out-performing staff and recognize their valuable

contributions. In respect of the employment process, from recruitment to promotion, we evaluated the employee’s overall performance at work and his or her potential contribution to our business from objective perspective, aiming to create an equal employment environment.

Northern New Energy attaches great importance to the quality of products and services in both New Energy Business and Catering Business. We are committed to ensuring the quality and progress of construction, and providing technical supports after project completion. We have standardized job duty for different positions in our restaurants and implemented a standardized food procurement procedure, with an aim to maintain our food quality and safety.

The New Energy Business has become the key growth driver of Northern New Energy after a mere year and more. We strongly believe the new energy industry plays a vital role in the sustainable development of society. Being as an entrant in the energy industry, we strive to explore more partnership opportunities, work diligently and pursue further business development in new energy industry, leveraging our business to exert more positive impacts on the environment and society.

The Board of Directors of
Northern New Energy Holdings Limited



Environmental Protection

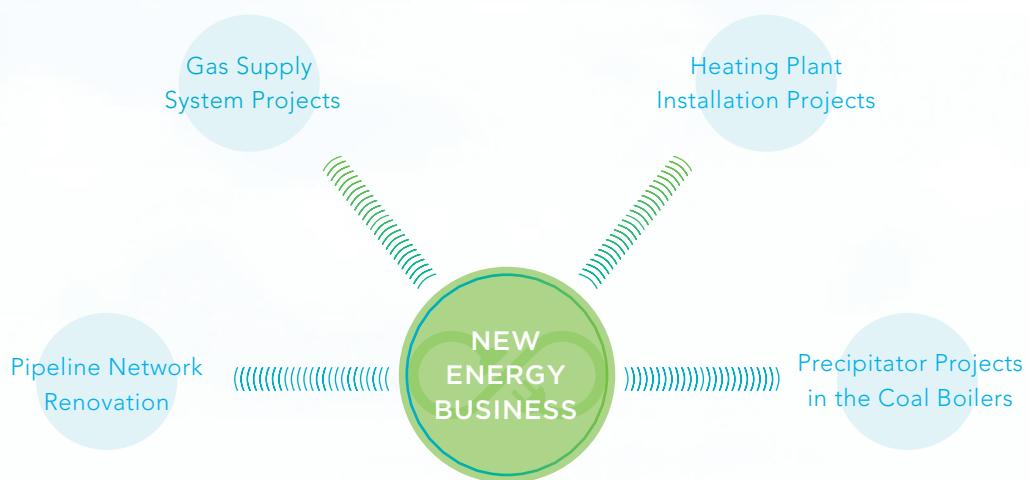
Climate change has posed unprecedented challenges to the global economic development. Extreme weathers caused by the climate changes affect, directly or indirectly, different organizations with regard to their ability of obtaining resources and maintaining business operation. In the 2015 Paris Climate Change Conference, 195 countries, including the PRC, have agreed to implement a greenhouse gas emission reducing scheme, aiming to keep the global temperature rises to well below 2 degrees Celsius.

In the Sustainable Development Summit held in 2015, all the members of the United Nations formally adopted 17 sustainable development goals, of which "taking urgent action to combat climate change and its impacts" is one of them.

NEW ENERGY BUSINESS

The business model of Northern New Energy is primarily accepting customers' entrustment, designing technical conversion solutions for heating equipment, undertaking the construction of such solutions and outsourcing it to subcontractors ("Construction Entities") in accordance with relevant standards set out in national laws and regulations in relation to emissions and environmental protection. The impacts of the Group's New Energy Business on the environment and natural resources are accordingly concentrated on the downstream of its supply chains, such as the resources consumed and the emissions arising from the construction of equipment by the subcontractors and the operation of such equipment by customers.

TYPES OF CONSTRUCTION PROJECTS UNDER NEW ENERGY BUSINESS



Environmental Protection

In designing the technical solutions, Northern New Energy takes the environmental impacts from the installation, construction and operation of equipment into account. Take precipitator project for an example, the Group conducted re-engineered precipitators conversion projects for coal boilers of heat suppliers to satisfy the statutory emission standards. Upon the analysis on the environmental impacts of various de-dusting technologies, our engineering team developed a solution called "Pulsive Bag Precipitator". In addition to reducing construction materials and saving cost, such solution may also prevent secondary pollution arising from the operation. Our engineering team adopted technology to enhance the heat-resistance of bag filters, and used instruments to conduct real-time monitoring over the operation of bag precipitators to enhance their stability.

Electronic precipitators and wet precipitators are mainly used in the market to tackle the smoke and dust arising from the coal boilers. The former use electric field to separate particles from the smoke, but it may cost a large amount of steel to build the precipitator, which is difficult in maintenance and repairing; The latter use water and other liquid to segregate the dust, the operation of which, however, consumes a lot of water, and discharges acidic sewage and sludge. Bag de-dusting technology can avoid the above disadvantages and achieve higher de-dusting efficiency.

CATERING BUSINESS

The main resources consumed in the Shanghai Noble House Pudong Restaurant of Northern New Energy include not only the necessary ingredients for food preparation, but also electricity, water and gas, etc. The Group strives to encourage its restaurants to monitor the usage of resources during their operations. Relevant departments have started recording and analyzing the usage of water, electricity and gas, aiming to disclose the key performance indicators of environmental aspect in next year's report. The Group will set a quantitative target for the future use of resources based on such data, thereby improving the efficiency of operation in restaurants. It will also take more initiative in encouraging restaurants to learn from each other and refine their own resource management system.

Although Northern New Energy has not conducted a comprehensive carbon emission evaluation on its current businesses, the Group has included the evaluation in its 2017 Work Plan. The Group will verify its greenhouse gas emissions on a yearly basis as its first step in carbon reduction and, on the basis of which, setting and prioritizing its carbon reduction target, with an aim to efficiently implement the carbon reduction procedures.



Employee Care

EMPLOYMENT SYSTEM

Northern New Energy values each of its employees. The Group has established a transparent employment system in regard to aspects ranging from recruitment, remuneration to promotion, which is set out in the Staff Handbook and distributed to staff upon his/her first day on board, to ensure every staff is well aware of his/her rights and duties at work.

Northern New Energy offers competitive and motivational remuneration packages to its staff, aiming to attract and retain talents. The Group reviews the remuneration and offers promotion for its staff based on their job performance, discipline, professional standards and expertise under both New Energy Business and the Catering Business. In addition to basic salary and social security funds, the Group will also award bonus to its staff based on its overall results and performance, the job performance of every team and each staff, sharing its fruitful results with its staff.

Northern New Energy endeavors to help its staff achieving work-life balance through flexible work arrangements. In the event of overtime working for business purpose under the New Energy Business, relevant staff is entitled to the reimbursement of travelling expenses in accordance with the Group's policy. In respect of the Catering Business, the Group provides some of the staff, as necessary, with free working meals and accommodation, and organizes events such as parties and annual dinners from time to time, for staff to enjoy and relax. The Group has noted that the current staff turnover rate is relatively high, and will conduct a review and improve its employment system to attract and retain talents.

Northern New Energy has strictly complied with relevant employment laws and regulations, including the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China. During the reporting period, no breach of employment and labor practice has been identified by the Group.

HEALTH AND SAFETY

Northern New Energy is committed to providing its employees with a healthy and safe workplace. To minimize the fire risks, smoking is strictly prohibited in all the operation areas of New Energy Business and Catering Business and adequate fire-fighting equipment has been installed in compliance with the fire control regulations, which will be inspected on a monthly basis by relevant departments. As to the daily operation of Catering Business, the Group has established relevant fire management policy to provide guidance for its employees in matters relating to working with naked flames and fire emergencies, so as to strengthen their awareness of fire prevention.

The New Energy Business of Northern New Energy mainly involves project planning and management, no position with high risk has been identified. The operation of restaurants covers dining areas and kitchen areas and involves more different positions. The Group provides its employees of restaurants with appropriate protective equipments such as work suits, work shoes, gloves and caps depending on different needs of each position. All of these protective equipment will be inspected regularly to ensure they are fully functioning. A Management Regulation on Work-related Injuries and Incidents has been formulated by the Group, stipulating the procedures of handling, reporting and investigating the work-related injuries and incidents as well as duties of relevant departments. During the reporting period, no breach of the regulations in relation to the health and safety of the staff has been identified by the Group.



Employee Care

DEVELOPMENT AND TRAINING

Northern New Energy provides newcomers of its New Energy Business and Catering Business with orientation training, in which it introduces information such as rules and regulations, job duties, working procedures, helping newcomers to be easily adapted to the working environment. A Training Management Regulation has been formulated by the Catering Business, aiming to map out the training projects for staff in service. The responsible departments will analyze employee's training needs through performance assessments, interviews and questionnaires. Based on different needs of various functions under the Catering Business, the Group provides training programs on the topics of product knowledge, service skills and marketing. In addition to internal trainings, staff may also be selected to attend external trainings with sponsorship offered by the Group. Upon the completion of the courses, the responsible departments will evaluate performance of the tutors and the attendees to review the efficiency of training and further improve the training system.

A regular performance appraisal system for both New Energy Business and Catering Business has been set up by Northern New Energy, to evaluate the individual performance and accomplishment of each staff, on the basis of which, Northern New Energy will offer the promotion or adjust the remuneration for the staff. Through the performance appraisal, the Group would also understand the suitability of the staff to their current positions and makes personnel transfer accordingly, to encourage and support staff in exerting their full potential at work.

LABOUR STANDARDS

Northern New Energy is well aware of the child labour and forced labour violating the basic human rights and International Labour Conventions and posing threats to the sustainable development of society and economy. The Group prohibits child labour and will verify applicant's actual age and identify documents during the recruitment process. The Group will by no means restrict the employment relationship between the staff and the company in any illegal or unjustified way, including unilateral amendments of the terms to the employment contracts without the agreement of the staff concerned. During the reporting period, no case of child labour or forced labour has been identified by the Group.

The International Labor Organization is a specialized agency of the United Nations to enact labor standards in the form of international labor conventions and recommendations, thereby improving the standard of work and living standards around the world. China is a founding member of the International Labor Organization and a permanent member of the organization. In Hong Kong, there are currently 41 international labor conventions applicable to working conditions, employment policies, and other matters.



Operation Management

The business of Northern New Energy covers the construction of energy equipment and preparation of food in restaurant, which is directly related to the safety and health of clients and even the public. As both businesses require cooperation with numerous subcontractors and suppliers, the quality of the Group's products and services largely rely on the due performance of its business partners. The Group has endeavored to perform its duties in supply chains and product quality management and set up standards for relevant procedures, to ensure each step in the supply chains complies with regulations and satisfies the standard of the industry and requirements of the clients.

NEW ENERGY BUSINESS

Northern New Energy performs stringent management on the construction of its engineering project. An Engineering Construction Management Procedure has been formulated by the Group, clearly defining the responsibilities of the Group and the Construction Entities on production safety and quality control. During the construction period, the Group will regularly visit the sites to ensure the construction is conducted in accordance with the prescribed requirements and inspect the construction quality and safety, especially the procedures involving high risks such as welding and working high above the ground. In the event that an issue is identified, Construction Entities will be required to make ratification immediately. The engineering team of the Group will also hold meetings periodically to review the project progress, so as to ensure the completion of the projects within the commitment period.

Upon the completion of certain part of the project, the Construction Entities will conduct self-inspection first, and submit an application to the Group for acceptance. The Group and representatives of clients will subsequently conduct a joint inspection on the project and arrange for acceptance, which involves field measurement and verification of engineering documents. In the event that a quality issue is identified, the Group will inform Construction Entities to make ratification within a certain period. A formal Construction Work Completion and Inspection Certificate will be issued only upon the satisfaction of the re-inspected project.

After completion and delivery, the project will undergo a trial operation period, during which the engineering team of Northern New Energy will monitor the operation status of the equipment to ensure the project has achieved the desired expectation and analyze the issues encountered by clients during operation. The Group also provides supporting services to clients such as technical personnel training and making suggestions on equipment maintenance, assisting clients to achieve efficient operation management and maximize the effects and benefits of the project.

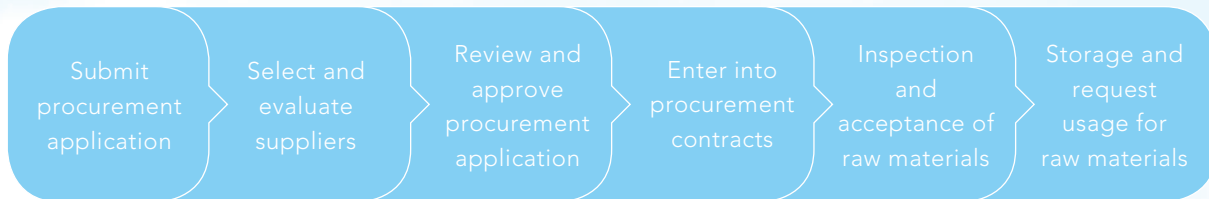
CATERING BUSINESS

The restaurants of Northern New Energy, including Shanghai Noble House Pudong Restaurant, are using raw materials that are purchased by the head office, thereby achieving the centralized control over the quality of materials. The restaurants would firstly submit a purchase request to the head office, who will instruct its procurement and supply department to identify potential suppliers from the supplier database according to purchasing requirements, and select the most suitable one as its partner after going through the approval procedures jointly conducted by several departments, where suppliers' information such as reputations, productivity, product quality and prices are among the factors to be compared.



Operation Management

PROCUREMENT MANAGEMENT REQUIREMENTS OF RESTAURANTS UNDER NORTHERN NEW ENERGY



Formal procurement contracts with approved suppliers are signed by the head office of Northern New Energy after verifying all details of product specifications, packaging requirements and acceptance standards. Purchased materials will be jointly inspected and accepted by the procurement and supply department, restaurants of the Group and suppliers, and delivered to the warehouse for storage if all requirements are met. Examination report, measurement report and acceptance certificate will be issued by the procurement and supply department. Unqualified products that are of deteriorated in quality, with broken packages or contain prohibited additive will be declined by the Group, who will request the suppliers to arrange re-delivery for exchange, return, destruction or other legal and safe disposal. Suppliers with continuous unqualified records will not be selected in the future, by such means, the Group is able to safeguard the food safety at the source.

Northern New Energy highly values the quality of services its restaurants provide to the customers and formulates the "Duties of Management Posts in Restaurants", aiming to define the duties in respect of quality monitoring and service management for each position in the restaurants. In addition to the daily operations management, the general manager of restaurants is also responsible for carrying out market research, listening to customers' feedbacks and responding to their complaints. In addition to the proper management of the kitchens to maintain cleanness and the food quality, the head chef is also required to be familiar with countries of origin, seasons and prices of raw

materials and maintains effective communications with the procurement department, ensuring timely delivery of the materials and product quality. Moreover, the head chef will take the initiative to understand the current catering market condition and customers' feedbacks, thereby developing seasonal specials.

During the reporting period, Northern New Energy has complied with the laws and regulations in relation to supply chain management and product liability in the regions where it operates and no breach has occurred for the period.

ANTI-CORRUPTION

Northern New Energy is committed to preventing corruption, bribery, extortion, fraud and money-laundering. The Staff Handbook under the two business segments has set out the code of conducts for all employees to follow. With respect to the staff engaging in the New Energy Business, the Group has formulated rules in relation to the catering and entertainment for business purposes, in which a prescribed average spending limit per person has been stipulated. As to the Catering Business, a reward and punishment system has been established, according to which the staff reporting major incident promptly will be awarded whereas staff abusing of private rights and committing malpractices will be dismissed, thereby upholding the integrity and honesty during the business operation. During the reporting period, no breach in respect of corruption and legal proceedings relating to the Group and its employees has occurred.

Community Investment

The awareness of corporate social responsibility has been growing in the market in recent years, resulting in the emergence of the concept of "Social License to Operate" ("SLO"). It places emphasis on the idea that a company should regard the long-term interest of the society as a whole as its ultimate goal, instead of pursuing the short-term financial results and returns for its shareholders. Being as a proactive company, Northern New Energy is well aware of the importance of different stakeholders' expectations, and firmly believes that balancing the interests between shareholders and other stakeholders is the only way to achieve the long-term business development in a stable and healthy manner.

The Group has not yet formulated its overall community investment policies as the New Energy Business is currently in the early stage of development, while the Catering Business is expected to be reviewed and restructured in 2017. However, upholding a commitment in social responsibility, the Group will strive to understand the needs of the communities in which it operates, and proactively study the way to increase our community involvement, and make the contribution to sustainable development of the society.



Environmental, Social and Governance Reporting Guide Content Index

Aspect	Description	Page Index
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	8-9
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	8-9
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	8-9
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	10
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	10
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	11



Environmental, Social and Governance Reporting Guide Content Index

Aspect	Description	Page Index
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	11
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	12-13
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	12-13
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	13
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	14

