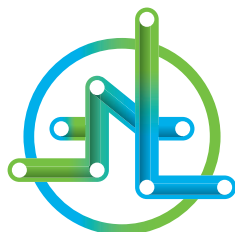


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Northern New Energy Holdings Limited
(北方新能源控股有限公司)

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 8246)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

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

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

This announcement, 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 announcement 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 announcement misleading.

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

FINANCIAL HIGHLIGHTS

	For the period ended 30.6.2017 RMB'000	For the period ended 30.6.2016 RMB'000	(Decrease)
Revenue	56,522	61,164	(7.6)%
Gross profit ^(a)	26,549	34,521	(23.1)%
Profit and total comprehensive income for the period	3,409	20,127	(83.1)%
Profit and total comprehensive income attributable to the owners of the Company	1,992	18,039	(89.0)%
Dividend	Nil	Nil	
EBIT	8,479	27,450	(69.1)%
EBITDA	9,757	28,899	(66.2)%
Earnings per share			
Basic	RMB0.001	RMB0.005	(80.0)%
Diluted	RMB0.001	RMB0.005	(80.0)%
	As at 30.6.2017 RMB'000	As at 31.12.2016 RMB'000	Increase/ (decrease)
Total assets	314,481	343,168	(8.4)%
Bank balance and cash	66,093	102,848	(35.7)%
Equity attributable to owners of the Company	212,534	209,037	1.7%
Key Financial Indicators	2017	2016	
Current ratio (times) ^(b)	3.6	3.3	
Gross profit margin ^(c)	47.0 %	56.4%	
Net gearing ratio ^(d)	1.2 %	2.0%	
Net profit margin ^(e)	6.0 %	32.9%	
Return on average equity ^(f)	0.9 %	14.7%	

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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Three months ended		Six months ended	
		30.6.2017	30.6.2016	30.6.2017	30.6.2016
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	34,540	36,834	56,522	61,164
Cost of sales		(18,168)	(12,323)	(29,973)	(26,643)
Gross profit		16,372	24,511	26,549	34,521
Other income	4	402	947	469	981
Other gains and losses	5	(819)	1,740	(1,152)	1,454
Administrative expenses		(9,479)	(6,914)	(16,089)	(13,132)
Selling and distribution expenses		(729)	(1,509)	(1,822)	(2,680)
Gain on disposal of subsidiaries		–	4,546	–	5,149
Reversal of impairment loss recognised on inventories		229	–	524	1,176
Impairment loss recognised in respect of amount due from an associate		–	(196)	–	(19)
Profit before tax	6	5,976	23,125	8,479	27,450
Income tax expense	7	(3,233)	(5,814)	(5,070)	(7,323)
Profit and total comprehensive income for the period		2,743	17,311	3,409	20,127
Profit and total comprehensive income attributable to:					
– the owners of the Company		1,779	15,694	1,992	18,039
– non-controlling interests		964	1,617	1,417	2,088
		2,743	17,311	3,409	20,127
Earnings per share	8				
– Basic		RMB0.001	RMB0.005	RMB0.001	RMB0.005
– Diluted		RMB0.001	RMB0.004	RMB0.001	RMB0.005

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30.6.2017 RMB'000 (unaudited)	31,12.2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	10	3,010	3,957
Investment properties	11	9,108	5,124
Rental deposits		1,304	1,504
Interest in an associate	12	–	–
Amount due from an associate	13	–	–
		<u>13,422</u>	<u>10,585</u>
Current assets			
Inventories		3,692	2,896
Trade and other receivables	14	231,274	225,593
Amount due from a related party	15	–	1,246
Bank balances and cash		<u>66,093</u>	<u>102,848</u>
		<u>301,059</u>	<u>332,583</u>
Current liabilities			
Trade and other payables	16	60,903	65,159
Prepayment from customers		11,304	12,390
Amount due to a shareholder		2,748	2,748
Amount due to a related party	15	56	–
Tax liabilities		<u>8,725</u>	<u>37,040</u>
		<u>83,736</u>	<u>117,337</u>
Net current assets		<u>217,323</u>	<u>215,246</u>
Net assets		<u>230,745</u>	<u>225,831</u>
Capital and reserves			
Share capital	17	3,473	3,470
Reserves		<u>209,061</u>	<u>205,567</u>
Equity attributable to owners of the Company		212,534	209,037
Non-controlling interests		<u>18,211</u>	<u>16,794</u>
Total equity		<u>230,745</u>	<u>225,831</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Share option reserve	Retained profits	Special reserve	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016 (audited)	3,470	–	4,551	105,438	528	113,987	3,690	117,677
Profit and total comprehensive income recognised for the period	–	–	–	18,039	–	18,039	2,088	20,127
Disposal of subsidiaries	–	–	–	–	–	–	1,417	1,417
At 30 June 2016 (unaudited)	<u>3,470</u>	<u>–</u>	<u>4,551</u>	<u>123,477</u>	<u>528</u>	<u>132,026</u>	<u>7,195</u>	<u>139,221</u>
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 18)	–	–	1,305	–	–	1,305	–	1,305
At 30 June 2017 (unaudited)	<u>3,473</u>	<u>297</u>	<u>5,756</u>	<u>202,480</u>	<u>528</u>	<u>212,534</u>	<u>18,211</u>	<u>230,745</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended	
	30.6.2017	30.6.2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
OPERATING ACTIVITIES		
Cash used in operations	(557)	(31,324)
Income tax paid	(33,385)	(13,340)
	<u>(33,942)</u>	<u>(44,664)</u>
Net cash used in operating activities	<u>(33,942)</u>	<u>(44,664)</u>
INVESTING ACTIVITIES		
Purchase of an investment property	(3,984)	–
Purchase of property, plant and equipment	(331)	(164)
Proceeds from disposal of subsidiaries	–	1,221
	<u>(4,315)</u>	<u>1,057</u>
Net cash (used in) from investing activities	<u>(4,315)</u>	<u>1,057</u>
FINANCING ACTIVITIES		
Advance from (repayment to) related parties	1,302	(2,246)
Proceeds from exercise of share options	200	–
Repayment from an associate	–	224
Repayment of advance from a non-controlling shareholder of a subsidiary	–	(700)
Repayment of advance from a shareholder	–	(8)
	<u>1,502</u>	<u>(2,730)</u>
Net cash generated from (used in) financing activities	<u>1,502</u>	<u>(2,730)</u>
Net decrease in cash and cash equivalents	(36,755)	(46,337)
Cash and cash equivalents at the beginning of the period	102,848	124,950
Cash and cash equivalents at the end of the period, represented by bank balances and cash	<u>66,093</u>	<u>78,613</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 Growth Enterprise Market 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 as disclosed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the above amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ²
IFRS 17	Insurance Contracts ⁴
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ²
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IAS 10 and IAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture ³
Amendments to IAS 40	Transfer of investment property ¹
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle except for amendments to IFRS 12 ¹

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

The directors of the Company do not anticipate that the application of these new and amendments to IFRSs and interpretation will have a material effect on the Group’s condensed consolidated financial statements.

3. 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 2017

	Catering business <i>RMB'000</i>	New energy business <i>RMB'000</i>	Property investment <i>RMB'000</i>	Segment total <i>RMB'000</i>	Total <i>RMB'000</i>
REVENUE					
External sales	<u>23,230</u>	<u>33,110</u>	<u>182</u>	<u>56,522</u>	<u>56,522</u>
RESULT					
Segment result	<u>(11)</u>	<u>19,444</u>	<u>153</u>	<u>19,586</u>	19,586
Unallocated corporate expenses					(10,479)
Reversal of impairment loss recognised on inventories					524
Net foreign exchange loss					<u>(1,152)</u>
Profit before tax					<u>8,479</u>

Six months ended 30 June 2016

	Catering business <i>RMB'000</i>	New energy business <i>RMB'000</i>	Property investment <i>RMB'000</i>	Segment total <i>RMB'000</i>	Total <i>RMB'000</i>
REVENUE					
External sales	<u>29,014</u>	<u>32,038</u>	<u>112</u>	<u>61,164</u>	<u>61,164</u>
RESULT					
Segment result	<u>(19)</u>	<u>27,196</u>	<u>75</u>	<u>27,252</u>	27,252
Unallocated corporate expenses					(7,477)
Imputed interest income on advances to an associate					243
Reversal of impairment loss recognised on inventories					1,176
Impairment loss recognised in respect of amount due from an associate					(19)
Gain on disposal of subsidiaries					5,149
Net foreign exchange gain					<u>1,126</u>
Profit before tax					<u>27,450</u>

4. OTHER INCOME

	Three months ended		Six months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income	31	24	73	58
Imputed interest income on advances granted to associates	–	243	–	243
Government subsidy (<i>note</i>)	370	680	370	680
Others	1	–	26	–
	<u>402</u>	<u>947</u>	<u>469</u>	<u>981</u>

Note: During the six months period ended 30 June 2017, a PRC subsidiary received RMB370,000 (2016: RMB680,000) 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	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Reversal of doubtful debts on trade receivables	–	323	–	323
(Loss) gain on disposal of property, plant and equipment	–	(14)	–	5
Net foreign exchange (loss) gain	(819)	1,431	(1,152)	1,126
	<u>(819)</u>	<u>1,740</u>	<u>(1,152)</u>	<u>1,454</u>

6. PROFIT BEFORE TAX

	Three months ended		Six months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit before tax has been arrived after charging the following:				
Directors' emoluments	2,207	1,046	4,042	2,120
Salaries and other allowances	4,649	4,179	8,991	9,121
Retirement benefit scheme contributions, excluding those of Directors	700	802	1,434	1,620
Equity-settled share-based expenses, excluding those of Directors	925	—	925	—
	<u>8,481</u>	<u>6,027</u>	<u>15,392</u>	<u>12,861</u>
Auditors' remuneration	159	152	159	152
Depreciation of property, plant and equipment	<u>634</u>	<u>701</u>	<u>1,278</u>	<u>1,449</u>

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Enterprise income tax in the PRC				
Current tax	3,614	5,814	5,451	7,323
Overprovision in prior years	<u>(381)</u>	<u>—</u>	<u>(381)</u>	<u>—</u>
	<u>3,233</u>	<u>5,814</u>	<u>5,070</u>	<u>7,323</u>

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, Beijing and Shanghai were subject to PRC Enterprise Income Tax ("EIT") at a rate of 25% for the six months ended 30 June 2017 and 2016.

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

8. EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	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	<u>1,779</u>	<u>15,694</u>	<u>1,992</u>	<u>18,039</u>

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	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	'000	'000	'000	'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Weighted average number of shares used in the calculation of basic earnings per share	<u>3,435,296</u>	<u>3,433,280</u>	<u>3,434,288</u>	<u>3,433,280</u>
Shares deemed to be issued in respect of:				
– Share options	<u>15,108</u>	<u>91,840</u>	<u>37,395</u>	<u>92,637</u>
Weighted average number of shares used in the calculation of diluted earnings per share	<u>3,450,404</u>	<u>3,525,120</u>	<u>3,471,683</u>	<u>3,525,917</u>

9. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2017 and 30 June 2016. The Directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2017 and 30 June 2016.

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment amounting to approximately RMB331,000 (six months ended 30 June 2016: approximately RMB164,000) for the purpose of the Group's operation.

11. INVESTMENT PROPERTIES

RMB'000

AT FAIR VALUE

At 31 December 2016 and 1 January 2017

5,124

Additions (*note 19*)

3,984

At 30 June 2017

9,108

The Group's investment properties are situated in the PRC and held under medium term lease. The Directors of the Company have determined that the investment properties are commercial assets, based on the nature, characteristics and risks of the property.

As at 30 June 2017, management of the Company estimated the fair value of the investment properties by reference to the recent market transactions and considered that their fair value are approximately to their carrying amounts.

12. INTEREST IN AN ASSOCIATE

	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Cost of unlisted investment in an associate	400	400
Deemed capital contribution (<i>note</i>)	1,705	1,705
Share of post-acquisition losses	(2,105)	(2,105)
	<u>—</u>	<u>—</u>

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").

13. AMOUNT DUE FROM AN ASSOCIATE

	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Dong Hai Noble House - non-trade (<i>note (a)</i>)	7,370	7,370
Less: Impairment loss recognised (<i>note (b)</i>)	(7,370)	(7,370)
	<u>—</u>	<u>—</u>

Notes:

- (a) As at 30 June 2017 and 31 December 2016, the amount represents advances to finance the operation of Dong Hai Noble House and is unsecured, interest free and has no fixed repayment terms. Imputed interest is computed at 5.89% (2016: 5.89%) per annum. The management of the Group considered the amount will not be settled within the next 12 months, and thus classified it as non-current asset.
- (b) During the current interim period, as the results of Dong Hai Noble House did not meet management's expectation, the directors of the Company reassessed the timing and estimates of the cash flows from the repayment of the advance to the associate and discounted them at the original effective interest rate of the advance. No impairment loss was recognised in profit or loss for current period (six months ended 30 June 2016: RMB19,000).

14. 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:

	30.6.2017 RMB'000 (unaudited)	31.12.2016 <i>RMB'000</i> (audited)
Trade receivables for Catering business:		
0-30 days	342	362
31-60 days	77	253
61-90 days	71	23
91-120 days	35	184
121-150 days	255	46
151-180 days	73	151
Over 180 days	976	631
Less: allowance for doubtful debts for trade receivables	<u>(22)</u>	<u>(22)</u>
	<u>1,807</u>	<u>1,628</u>
Trade receivables for New energy business:		
Within settlement period	115,660	179,528
Past due	<u>90,292</u>	<u>20,694</u>
	<u>205,952</u>	<u>200,222</u>
Total trade receivables	<u>207,759</u>	<u>201,850</u>
Other receivables and deposits:		
Prepayments to suppliers	17,117	18,454
Payment for operating expenses	484	648
Other receivables and deposits	6,005	4,732
Less: allowance for doubtful debts for other receivables	<u>(91)</u>	<u>(91)</u>
	<u>23,515</u>	<u>23,743</u>
	<u>231,274</u>	<u>225,593</u>

15. AMOUNT DUE FROM (TO) A RELATED PARTY

	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Amount due from a related party		
– 上海龐迪商貿有限公司 (“龐迪”)	<u>–</u>	<u>1,246</u>
Amount due to a related party		
– 龐迪	<u>(56)</u>	<u>–</u>

The related party is beneficially owned by the director of the Company's subsidiary. The balances are trade nature, unsecured, non-interest bearing and has credit period of 30 days.

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:

	30.6.2017 RMB'000 (unaudited)	31.12.2016 RMB'000 (audited)
Trade payables:		
0-30 days (Note)	28,503	31,691
31-60 days	1,324	560
61-90 days	171	875
91-180 days	8,340	29
Over 180 days	<u>12,456</u>	<u>9,086</u>
	<u>50,794</u>	<u>42,241</u>
Other payables:		
Accruals	2,371	1,800
Other payables	4,303	6,032
Employee benefits payable	2,245	1,732
Other taxes payable	<u>1,190</u>	<u>13,354</u>
	<u>10,109</u>	<u>22,918</u>
	<u>60,903</u>	<u>65,159</u>

Note: Included in the amount represents trade payables of RMB15,232,000 (2016: RMB26,598,000) 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. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000	RMB'000
Authorised			
At 1 January 2016,			
– Ordinary shares of HK\$0.01 each	8,000,000	80,000	
Effect of share subdivision (<i>note i</i>)	56,000,000	–	
At 30 June 2016 and 2017			
– Ordinary shares of HK\$0.00125 each	64,000,000	80,000	
Issued and fully paid			
At 1 January 2016	429,160	4,292	3,470
Effect of share subdivision (<i>note i</i>)	3,004,120	–	–
At 30 June 2016 and 1 January 2017	3,433,280	4,292	3,470
Exercise of share options (<i>note ii</i>)	2,240	3	3
At 30 June 2017			
– Ordinary shares of HK\$0.00125 each	3,435,520	4,295	3,473

Notes:

- i. On 15 March 2016, the Directors of the Company proposed to implement a share subdivision on the basis that every 1 issued and unissued share of HK\$0.01 each will be subdivided into 8 subdivided shares of HK\$0.00125 each (the “Share Subdivision”).

Before the Share Subdivision, the authorised share capital of the Company was HK\$80,000,000 divided into 8,000,000,000 shares of HK\$0.01 each. After the Share Subdivision become effective, the authorised share capital of the Company were HK\$80,000,000 divided into 64,000,000,000 subdivided shares of HK\$0.00125 each, of which 3,433,280,000 subdivided shares being issued and fully paid.

The Share Subdivision was approved by the shareholders of the Company with an ordinary resolution on 19 May 2016.

- ii. 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).

18. 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 30 December 2011 and may continue to be exercisable in accordance with their terms of issue. The Board may grant options to Directors and eligible employees of the Company or its subsidiaries to subscribe for shares in the Company at a consideration equal to the higher of the closing price of the shares of the Company on the Stock Exchange at the date of offer of grant and the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the options.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1. Options may be exercised at any time from the date of grant of the share option up to the tenth anniversary of the date of grant as determined by the Directors at their discretion.

The maximum number of shares of the Company in respect of which options may be granted, when aggregated with any other share option scheme of the Company, shall not exceed 30% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the Scheme. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 10% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

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 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 460,016,000 (30 June 2016: 118,720,000), representing 13.4% (30 June 2016: 3.5%) 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 (<i>note 1</i>)	25/11/2014	25/11/2014- 24/11/2021	HK\$0.10125 [#]	HK\$0.0501 [#]
Option C (<i>note 2</i>)	09/06/2017	09/06/2018- 09/06/2024	HK\$0.289	HK\$0.1262
Option D (<i>note 3</i>)	09/06/2017	09/06/2019- 09/06/2024	HK\$0.289	HK\$0.1273
Option E (<i>note 4</i>)	09/06/2017	09/06/2020- 09/06/2024	HK\$0.289	HK\$0.1287
Option to consultants				
Option F (<i>note 2</i>)	09/06/2017	09/06/2018- 09/06/2024	HK\$0.289	HK\$0.1320
Option G (<i>note 3</i>)	09/06/2017	09/06/2019- 09/06/2024	HK\$0.289	HK\$0.1320
Option H (<i>note 4</i>)	09/06/2017	09/06/2020- 09/06/2024	HK\$0.289	HK\$0.1320
Option to employees				
Option B (<i>note 1</i>)	25/11/2014	25/11/2014- 24/11/2021	HK\$0.10125 [#]	HK\$0.0455 [#]
Option I (<i>note 2</i>)	09/06/2017	09/06/2018- 09/06/2024	HK\$0.289	HK\$0.1117
Option J (<i>note 3</i>)	09/06/2017	09/06/2019- 09/06/2024	HK\$0.289	HK\$0.1170
Option K (<i>note 4</i>)	09/06/2017	09/06/2020- 09/06/2024	HK\$0.289	HK\$0.1219

Notes:

1. Option shares 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 will be 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).

The following table discloses movement of the Company's share options during the period ended 30 June 2016:

Option type	1.1.2016 '000	Adjusted during the period [#] '000	Exercised '000	Lapsed '000	Outstanding at 30.6.2016 '000
Option A	9,240	64,680	–	–	73,920
Option B	5,600	39,200	–	–	44,800
	<u>14,840</u>	<u>103,880</u>	<u>–</u>	<u>–</u>	<u>118,720</u>

[#] As a result of the Share Subdivision approved on 19 May 2016 (see note 17), based on the relevant terms of the Scheme, the exercise price and number of shares falling to be issued upon exercise of the share options were adjusted from HK\$0.81 per share to HK\$0.10125 per subdivided share and 14,840,000 shares to 118,720,000 subdivided shares, where such adjustments were effective from the date on which the Share Subdivision became effective on 20 May 2016.

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
	<u>118,720</u>	<u>343,536</u>	<u>(2,240)</u>	<u>–</u>	<u>460,016</u>

In respect 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 and a set of selected comparable companies, 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\$1,480,000 (equivalent to RMB1,305,000) in relation to share options granted by the Company for the period ended 30 June 2017 (30 June 2016: nil).

19. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transaction	30.6.2017	30.6.2016
		<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
龐迪	Purchase of inventories	321	—
Dong Hai Noble House	Sales of processed food	—	38
	Handling fee income on VIP cards	—	8
臻露酒業(上海)有限公司 (note)	Purchase of inventories	—	254

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

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

20. LITIGATION

On 26 July 2016, 上海名軒餐飲管理有限公司 (Shanghai Noble House Food Service Management Co., Ltd.) (“Noble House Management Company”), a wholly-owned subsidiary of the Company, was served a document of summon (the “Summon”) issued by 寧波市鄞州區人民法院 (the “Court”) to attend a hearing on 25 August 2016 in relation to a contractual dispute. Pursuant to the Statement of Claim, the plaintiff, Dong Hai Noble House, being the associate of the Group, alleged a breach of contract by Noble House Management Company.

The plaintiff alleged that a management agreement was signed with Noble House Management Company in which Noble House Management Company is entrusted to all operation rights of the plaintiff’s clubhouse, and all operating loss should be borne by Noble House Management Company. In the Summon, it is further alleged that from January 2012 to September 2015, the operation loss is RMB14.66 million, and that Noble House Management Company failed to compensate such loss to Dong Hai Noble House. Dong Hai Noble House requested Noble House Management Company to compensate such loss with interest calculated from 8 July 2016 until the date of actual payment at the rate equivalent to interest charged by bank on loans. The Group has seeking legal advice from its PRC legal adviser on this litigation and the Company considers that the Claim does not have any material adverse effect on the operation or financial position of the Group, no provision is considered necessary for the Claim. Details of the Summon is set out in the announcement of the Company dated 29 July 2016.

Up to the date of this announcement, there is no latest progress of the Claim.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, the Group actively strengthened the integrated strengths of its New energy business team so that it would be fully prepared for the peak season in the second half of the year. For Catering business, we continued to implement prudent and practical measures to maintain its operations. We have also started to gradually restructure the business to make sure resources can be put into projects with brighter prospects. In addition, the management has been exploring opportunities that can foster sustainable development of the Group, allowing it to diversify income sources.

New Energy Business

New energy business remains as the Group’s core development focus in 2017. With the business as the key driver, we hope to take the Group to new heights.

The first half of a year is usually the slow season for the new energy industry. As a result of that plus intense market competition, the profit generated from the new energy segment declined. Nevertheless, we saw this as the opportune time to pave the way for the future by recruiting technicians, enhancing the team’s strengths and rallying potential customers, helping the Group prepare for the orders at the advent of the peak season in the second half year.

During the period under review, with technological advantages and professional services, the Group completed several technical service contracts in Tianjin. In the first quarter, we completed LNG-based energy conversion solution and low-carbon heating energy supply solution that complies with government environmental protection requirements. We also completed several contracts for de-nitrification of coal-fired boilers in the second quarter. These projects have bolstered the Group's reputation in Tianjin. We look forward to cooperating with different parties and expanding service coverage to other regions in the future to serve more customers.

In addition, we have filed tax concession applications with relevant departments in Tianjin as we believe the Group has met relevant requirements. Such concessions shall have positive impact on the Group.

Catering Business

In the first half of 2017, the Group reviewed its Catering business operations in the hope of restructuring the business during the year to enhance its overall operational efficiency. As at 30 June 2017, the Group owned and operated four "Noble House" restaurants in Shanghai, the PRC, including one outsourced to an independent contractor. The Group also operated supplemental food product trading business with products sold under the "Noble House" brand at its restaurants and other retail stores.

Legal proceeding is underway regarding the contractual dispute between Dong Hai Noble House and Noble House Management Company. After seeking advice from its legal adviser in the PRC, the Group is of the view that the claim will not have any significant adverse impact on its operations or financial status, thus no provision has been made for it. The Group has engaged legal adviser in the PRC to follow up on the matter and more relevant information will be disclosed in due course. For further details regarding the dispute, please refer to the note 20 of the condensed consolidated financial statements.

Property Investment

We own two properties on Beijing Road West, Jing An District, Shanghai with office spaces for leasing purpose, which can help generate long-term stable rental income for the Group.

FINANCIAL REVIEW

Revenue

For the Current Period, revenue of the Group amounted to RMB56.5 million, representing a decrease of 7.6% from RMB61.2 million for the Corresponding Period. The decrease was mainly attributable to the decrease in revenue from Catering business.

New Energy Business

The Group recognized revenue of RMB33.1 million (Corresponding Period: RMB32.0 million) from the New energy business segment, accounting for 58.6% (Corresponding Period: 52.3%) of the Group's total revenue. It was mainly attributable to the income generated from the completion of several technical service contracts and sales of industrial products during the Current Period.

Catering Business

The Group recorded revenue of RMB23.2 million from Catering business as compared to RMB29.0 million in the Corresponding Period. Revenue from Catering business included RMB22.7 million from restaurant operations (Corresponding Period: RMB23.0 million), RMB0.3 million from sales of processed food and seafood products (Corresponding Period: RMB4.9 million), RMB0.2 million from external operation contracting (Corresponding Period: RMB0.7 million) and Nil from the provision of management services (Corresponding Period: RMB0.4 million). The decrease in revenue was mainly due to the revenue from sales of processed food and seafood products decrease. While continuing our pursuit of perfection, we have been swift in adjusting our business and operational strategies heeding changes in market demand.

Property Investment

The property investment segment recorded turnover of RMB0.2 million (Corresponding Period: RMB0.1 million).

Cost of Sales

Cost of sales of the Catering business decreased by 18.9% from the Corresponding Period RMB23.3 million to the Current Period RMB18.9 million, mainly a result of effective cost control measures plus the adoption of an optimized business model. The cost of sales for New energy business increased to RMB11.1 million as compared to RMB3.4 million in the Corresponding Period. The increase was mainly attributable to the increase in both direct labor cost and raw material prices.

Gross Profit Margin

Gross profit represents revenue less cost of sales. The gross profit margin of Catering business remained at around 19.0%, mainly due to effective cost control measures plus the adoption of an optimized business model. The New energy business segment and Property investment segment recorded a gross profit margin of 66.5% and 100.0% respectively (Corresponding Period: 89.5% and 100%).

Other Gains and Losses

Other losses of RMB1.2 million were recorded in the Current Period compared to other gains of RMB1.5 million in the Corresponding Period, mainly due to foreign exchange losses recorded.

Administrative Expenses

Administrative expenses increased by 22.5% from RMB13.1 million for the Corresponding Period to RMB16.1 million for the Current Period. The increase was mainly due to the RMB1.3 million share-based payment expenses in connection with granting of share options as incentive to or reward for the grantees' contribution to the Group and also increased staff cost for enhancing the team's strengths.

Income Tax Expense

Income tax expense was RMB5.1 million (Corresponding Period: RMB7.3 million) from mainly the provision for enterprise income tax of a subsidiary in Tianjin.

Non-controlling Interests

Non-controlling interests recorded a gain of RMB1.4 million in the Current Period (Corresponding Period: RMB2.1 million). This was mainly attributable to an operating profit recorded by the non-wholly owned subsidiary 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 decreased by 89.0% from RMB18.0 million for the Corresponding Period to RMB2.0 million for the Current Period. Basic and diluted earnings per share were both RMB0.1 cents, as compared to RMB0.5 cents in the Corresponding Period.

Related Party Transactions and Connected Transactions

During the Current Period, all transactions as set out in note 19 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. One of the related party transactions of the Group as set out in the note 19 constituted connected transactions under Chapter 20 of the GEM Listing Rules. Details of such connected transaction (as defined under the GEM Listing Rules) are set out below in accordance with the requirements of the GEM Listing Rules:

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, bank balances and cash maintained by the Group were RMB66.1 million, representing a decrease of 35.7% from RMB102.8 million as at 31 December 2016, which was largely due to the RMB33 million provision of tax liabilities for last year has been settled. Trade and other receivables were RMB231.3 million, slightly up by 2.5% from RMB225.6 million as at 31 December 2016, which mainly represented the increase in trade receivables from completion of several technical service contracts in Tianjin. Trade and other payables decreased from RMB65.2 million as at 31 December 2016 to RMB60.9 million, or 6.5%, which mainly reflected settlement in trade payables. Tax liabilities decreased from RMB37.0 million as at 31 December 2016 to RMB8.7 million, or 76.4%, from settlement of tax provisions for last year. As a result, the Group’s current assets and current liabilities as at 30 June 2017 were RMB301.1 million and RMB83.7 million (31 December 2016: RMB332.6 million and RMB117.3 million) respectively.

The Group had no bank borrowings as at 30 June 2017. Gearing ratio of the Group, measured as total debt to total equity, was stable at 1.2% as at 30 June 2017 (31 December 2016: 1.2%). The Group recorded net assets of RMB230.7 million as at 30 June 2017 compared to RMB225.8 million as at 31 December 2016. The increase was mainly due to the net profit recorded during the Current Period and recognition of equity-settled share based payments. During the Current Period, the Group financed its operations mainly with funds from internal resources.

PROSPECTS

The PRC will continue to implement her green and low-carbon energy strategy in 2017. In the “Notice on Air Pollution Prevention and Control Solutions in Beijing, Tianjin and Hebei and Surrounding Areas in 2017” issued by the Ministry of Environmental Protection, 28 cities (including Beijing and Tianjin) are named in the first batch of regions in northern China where the clean winter heating plan will apply. In addition, Beijing, Tianjin, Langfang and Baoding are required to complete construction of coal-burning prohibited areas by October 2017 to contribute to the roll-out of clean winter heating.

Related policies will present opportunities that can bolster the New energy industry. We will continue to cultivate this business segment with immense potential and expand our business model from the Tianjin base to surrounding regions in the north. To support sustainable and long term growth of the New energy business, we plan to actively cooperate with competent partners to enlarge our customer base and market share, thereby boost our revenue and profitability.

The management will also exert its best in seeking potential acquisition opportunities and allocate more resources as planned to the New energy business to consolidate the Group's strengths. We aspire to develop and become an dynamic integrated new energy enterprise. Through bringing in LNG conversion systems such as gasification stations, we can expand the Group's service scope from offering engineering service to covering also production, meaning providing a comprehensive scope of services, to enrich the Group's income source.

As for Catering business, we will strive to restructure the business to improve its performance. Regarding property investment, we will continue to seize investment opportunities that promise to bring good returns, thereby ensure the Group has a stable rental income source, that it can reward shareholders with more satisfactory investment returns.

CAPITAL STRUCTURE

During the Current Period, an aggregate of 2,240,000 shares were issued and allotted pursuant to the exercise of share options with exercise price of HK\$0.10125 granted on 25 November 2014. Upon the shares issued and allotted by exercising of share options, the Company had an aggregate of 3,435,520,000 shares of HK\$0.00125 each in issue.

USE OF PROCEEDS FORM 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 2017, the Company has utilized approximately HK\$60,290,000 (equivalent to RMB52,327,000) out of the proceeds for general working capital in the operation of the Group. As the Group is principally engaged in the New energy business, the Catering business and Property investment (the “Existing business”). The Group has applied the proceeds for general working capital on all Existing business from time to time.

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

The remaining net proceeds have not yet been utilized and remain available for the intended use.

DIVIDENDS

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

FOREIGN CURRENCY EXPOSURE

The business operations of the Group’s subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group’s subsidiaries denominated mainly in RMB, with some denominated in Hong Kong dollars. The Group’s cash and bank deposits were denominated some in Hong Kong dollars, with some denominated in RMB. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact to the Group. As at 30 June 2017, the Directors considered the Group’s foreign exchange risk remained minimal currently. During the Current Period, the Group did not use any financial instruments for hedging purposes (Corresponding Period: Nil).

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

There was no significant investments held, material acquisitions or disposal of subsidiaries and affiliated companies during the Current Period. There is no plan for material investments or capital assets as the date of this announcement.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) pursuant to a resolution of the Directors passed on 12 December 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph C.3.3 of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company.

As at 30 June 2017, the Audit Committee has three members comprising all the independent non-executive Directors, namely, Mr. Lui Tin Nang (chairman), Ms. Ma Lee and Mr. Lau Kwok Kee. The Audit Committee had reviewed the unaudited results announcement and interim report for the six months ended 30 June 2017 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 2017.

CORPORATE GOVERNANCE PRACTICES

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

Under code provision A.6.7, the Board members should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to other unavoidable business engagement, the Executive Chairman, an executive Director and one of independent non-executive Directors were unable to attend the Company’s annual general meeting held on 8 June 2017.

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

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 2017.

LITIGATION

Details of the litigation are stated in the note 20 to the condensed consolidated financial statements.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any material contingent liabilities.

CHARGE ON GROUP ASSETS

As at 30 June 2017, the Group did not have any pledged assets. (31 December 2016: Nil).

EMPLOYMENT AND REMUNERATION OF EMPLOYEES

As at 30 June 2017, the Group had approximately 222 full time employees in the PRC and 13 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. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 10% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

During the year 2014, the Company has granted 28,000,000 share options to the Company's Directors, consultants and employees at the exercise price of HK\$0.81 per option share (i.e. 224,000,000 shares with par value of HK\$0.00125 each after the Share Subdivision on 20 May 2016). During the Current Period, the Company has granted 343,536,000 share options to the Company's Directors, consultants and employees at the exercise price of HK\$0.289 per option share. As at 30 June 2017, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 460,016,000 (30 June 2016: 118,720,000), representing 13.4% (30 June 2016: 3.5%) of the shares of the Company in issue at that date. Details of the movements of share options granted, exercised or cancelled/lapsed during the review period and outstanding as at 30 June 2017 are as follows:

	At 1 January 2017	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the Period	Outstanding as at 30 June 2017	Exercise period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
Directors								
Mr. Hu Yishi	-	2,880,000	-	-	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	-	2,880,000	-	-	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	-	2,880,000	-	-	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Chan Wing Yuen, Hubert	22,400,000	-	-	-	22,400,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	-	11,448,000	-	-	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
	-	11,448,000	-	-	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
	-	11,448,000	-	-	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Lin Min, Mindy	22,400,000	-	-	-	22,400,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	-	2,880,000	-	-	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	-	2,880,000	-	-	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	-	2,880,000	-	-	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Kwong Wai Man, Karina	22,400,000	-	-	-	22,400,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	-	11,448,000	-	-	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
	-	11,448,000	-	-	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
	-	11,448,000	-	-	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28

	At 1 January 2017	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the Period	Outstanding as at 30 June 2017	Exercise period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
Directors								
Mr. Lui Tin Nang	2,240,000	-	-	-	2,240,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	-	1,144,000	-	-	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	-	1,144,000	-	-	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	-	1,144,000	-	-	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Ma Lee	2,240,000	-	-	-	2,240,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	-	1,144,000	-	-	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	-	1,144,000	-	-	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	-	1,144,000	-	-	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Wang Zhi Zhong**	2,240,000	-	(2,240,000)	-	-	25 November 2014 to 24 November 2021	0.10125*	0.12125*
Mr. Lau Kwok Kee***	-	1,144,000	-	-	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	-	1,144,000	-	-	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	-	1,144,000	-	-	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Directors	73,920,000	96,264,000	(2,240,000)	-	167,944,000			
Employees	44,800,000	-	-	-	44,800,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	-	54,208,000	-	-	54,208,000	9 June 2018 to 9 June 2024	0.289	0.28
	-	54,208,000	-	-	54,208,000	9 June 2019 to 9 June 2024	0.289	0.28
	-	54,208,000	-	-	54,208,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Employees	44,800,000	162,624,000	-	-	207,424,000			
Consultants	-	28,216,000	-	-	28,216,000	9 June 2018 to 9 June 2024	0.289	0.28
	-	28,216,000	-	-	28,216,000	9 June 2019 to 9 June 2024	0.289	0.28
	-	28,216,000	-	-	28,216,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Consultants	-	84,648,000	-	-	84,648,000			
Total All Categories	118,720,000	343,536,000	(2,240,000)	-	460,016,000			

* *adjusted by share subdivision on 20 May 2016.*

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

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

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

At 30 June 2017, the interests and short positions of the Directors and chief executives of the Company in the ordinary shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in ordinary shares of HK\$0.00125 each of the Company

Name of Director	Notes	Nature of Interest	Number of shares	Percentage of the Company's issued share capital
Mr. Hu Yishi	1	Interest of controlled corporation	458,000,000	13.33%
Ms. Lin Min, Mindy	2	Interest of controlled corporation	466,688,000	13.58%

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 10,000,000 shares held by Front Riches Investments Limited, a company 100% controlled by Mr. Hu Yishi.
2. Ms. Lin Min, Mindy is deemed to be interested in 448,000,000 shares held by Uprise Global Investments Limited and in 18,688,000 shares held by Gainup Limited respectively, both companies were 100% controlled by Ms. Lin Min, Mindy.

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

Name of Director	Nature of Interest	Number of underlying shares (note)
Mr. Hu Yishi	Beneficial owner	8,640,000
Mr. Chan Wing Yuen, Hubert	Beneficial owner	56,744,000
Ms. Lin Min, Mindy	Beneficial owner	31,040,000
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 71,680,000 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 announcement.

Saved as disclosed above, as at 30 June 2017, none of the Directors or chief executives of the Company or their respective associates had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the Current Period, the Directors were not aware of any business or interest of the Directors, the management shareholder and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

DEED OF NON-COMPETITION

The deed of non-competition was no longer applied for both of the Current Period and the Corresponding Period.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of the Directors since the date of annual report of the Company for the year ended 31 December 2016 are set out below:

Name of Directors	Details of changes
Mr. Chan Wing Yuen, Hubert	— On 4 November 2016 Mr. Chan Wing Yuen, Hubert has been appointed as an independent non-executive director of FIT Hon Teng Limited (Stock Code: 6088), the issued shares of the company has successfully listed on the Stock Exchange on 13 July 2017.
Mr. Lau Kwok Kee	— On 8 June 2017 Mr. Lau Kwok Kee has been nominated as an independent non-executive Director (the “Appointment”) of the Company. The Appointment has been approved in the Board of the Company with effect from 8 June 2017.
Mr. Wang Zhi Zhong	— With effect from 8 June 2017, Mr. Wang Zhi Zhong has ceased to serve as the independent non-executive Director of the Company and the member of the audit committee, remuneration committee and nomination committee of the of the Company.

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

As at 30 June 2017, so far as is known to the Directors, the following persons, not being Directors or chief executives of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Long position – Ordinary shares and underlying shares

Name	Capital 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	–	18.63%
Mr. Song Zhi Cheng (note 2)	Interest of controlled corporation	640,000,000	–	18.63%
Smart Lane Global Limited (note 3)	Beneficial owner	448,000,000	–	13.04%
Uprise Global Investments Limited (note 4)	Beneficial owner	448,000,000	–	13.04%
Blossom Merit Limited (note 5)	Beneficial owner	229,632,000	–	6.68%
Mr. Chan Tai Neng (note 6)	Interest of controlled corporation	229,632,000	–	6.68%
Ms. Christine Yang	Beneficial owner	224,000,000	–	6.52%

Notes:

1. Depot Up Limited, a company incorporated in the Republic of Seychelles on 23 February 2015 with limited liability is an investment holding company where the entire issued share capital of which is held by Mr. Song Zhi Cheng.
2. Mr. Song Zhi Cheng is deemed to be interested in 640,000,000 shares through his interest in Depot Up Limited.

3. Smart Lane Global Limited, a company incorporated in Samoa on 19 February 2014 with limited liability and is an investment holding company which is a subsidiary of Yuan Rong where the entire issued share capital of which is held by Mr. Hu Yishi is executive Director and executive chairman.
4. Uprise Global Investments Limited, a company incorporated in the British Virgin Islands on 19 December 2013 with limited liability is an investment holding company where the entire issued share capital of which is held by Ms. Lin Min, Mindy, 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 2017.
6. Mr. Chan Tai Neng is deemed to be interested in 229,632,000 shares held by Blossom Merit Limited. The issued share capital of Blossom Merit Limited is owned 90% by Mr. Chan Tai Neng and 10% by Mr. Cheung Chi Keung, (both being former executive Directors).

During the Current Period, there were no debt securities issued by the Group and the Company at any time.

Save as disclosed above, as at 30 June 2017, the Directors are not aware of any other person other than the Directors and the chief executives of the Company who had, or was deemed to have interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections “Share Option Scheme” and “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures of the Company” above, at no time during the Current Period was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMMUNICATION WITH SHAREHOLDERS

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

By order of the Board
Northern New Energy Holdings Limited
Chan Wing Yuen, Hubert
Chief Executive Officer and Executive Director

Hong Kong, 11 August 2017

As at the date of this announcement, 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 announcement 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>.