

# Chinese Energy Holdings Limited

(Incorporated in Hong Kong with limited liability)

Stock Code : 8009

**First Quarterly Report 2013**

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

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*This report, for which the directors (the “Directors”) of Chinese Energy Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## SUMMARY

The Group's unaudited consolidated loss for the three months ended 30 June 2013 was approximately HK\$6,227,000, as compared to the unaudited consolidated loss of approximately HK\$9,075,000 of the Group for the corresponding period in 2012. No interim dividend is recommended for the period under review.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in provision of management service, investment in financial and investment products. The loss figure for the period is primarily due to the cost of sale caused by the amortisation of intangible asset. The cost of sale for the period was approximately HK\$3,290,000.

### Extension of exclusivity period in relation to the Memorandum of Understanding (the “**MOU**”) in respect of the Proposed Acquisition

2 On 24 May 2013, the board of Directors announced that the Company entered into a side letter with Mr. Shi Yanmin being the Chairman and an executive director of the Company and Mr. Zhao Jiangtao (the “**Proposed Vendors**”). Pursuant to the side letter, the parties mutually agreed to extend the exclusivity period of the MOU in respect of the Proposed Acquisition for an additional period of three months from the date of the side letter, i.e. up to an inclusive of 24 August 2013.

Further details of the Disposal are set out in the announcement of the Company dated 24 May 2013.

### Disposal of 100% Equity Interest of Supreme Luck

The board of Directors announced that on 19 June 2013, the Management Agreement was terminated and a new management agreement was entered into between Careall Capital and another wholly-owned subsidiary of the Company on substantially the same terms and conditions as the Management Agreement for the remaining term of the Management Agreement. As a result, the Group continues to provide the management service substantially and therefore maintains the same principal business activities as before.

On 20 June 2013, the Company also entered into the sales and purchase agreement with the independent third party (the “**Purchaser**”) pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued and paid up share capital of Supreme Luck, which includes the trade receivables of HK\$159,422,000 and income tax payables and other tax payables of HK\$91,026,000 at the consideration of HK\$68,000,000.

Further details of the Disposal are set out in the announcement of the Company dated 20 June 2013.

## FINANCIAL REVIEW

The Group recorded a net loss attributable to owners of the Company of approximately HK\$6,227,000 for the three months ended 30 June 2013, as compared to a net loss of approximately HK\$9,075,000 for the corresponding period in 2012. As at 30 June 2013, the Group holds current assets plus financial investments and deposits totaling approximately HK\$239,260,000 and has nil of bank borrowings. For the three months ended 30 June 2013, the Group's turnover was HK\$nil as compared to a turnover of HK\$nil for the corresponding period in 2012. An annual fee relating to the provision of management service to Shenzhen Careall Capital Investment Co., Ltd ("**Careall Capital**") will be received. Such fee will be calculated based on 70% of the audited profit of Careall Capital. The Company reported a nil for turnover in the first quarter because:

- The management fee due in respect of fourth relevant period (being from 19 August 2012 to 18 August 2013) had not yet come to an end during the period under review.
- The special audit for the fourth relevant period has not commenced and no audited financial information as to the calculation of the management fee to be recognized by the Group. Hence, Management did not record any turnover for this segment of its business.

Turnover will be recorded during the interim period for 2013 once Management obtains audited financial information for the calculation of the management fee due to the Group under the Management Agreement.

The relevant period will end at 18 August 2013 and audit work will be performed subsequently. There will be no guaranteed profit for the fourth relevant period. The Management will closely monitor the performance of Careall Capital.

## RESULTS

The board of Directors (the "**Board**") presents the unaudited results of the Group for the three months ended 30 June 2013 together with the comparative unaudited figures for the corresponding period in 2012 as follows.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2013

		Three months ended 30 June	
		2013	2012
<i>Notes</i>		<u>HK\$'000</u>	<u>HK\$'000</u>
<b>Continuing operations</b>			
Turnover	3	–	–
Cost of sale		<u>(3,290)</u>	<u>(8,177)</u>
Gross loss		<b>(3,290)</b>	(8,177)
Other income		–	–
Other gains and losses		–	1,590
Administrative expenses		<b>(2,937)</b>	(2,344)
Finance costs		–	<u>(144)</u>
Loss before taxation	4	<b>(6,227)</b>	(9,075)
Income tax expense	5	–	–
Loss for the period from continuing operations		<b>(6,227)</b>	(9,075)
<b>Discontinued operations</b>			
Profit (loss) for the period from discontinued operations		–	–
<b>Loss for the period</b>		<b>(6,227)</b>	(9,075)
<b>Other comprehensive income for the period, net of income tax</b>			
		–	–
<b>Total comprehensive expense for the period</b>		<b>(6,227)</b>	(9,075)

		<b>Three months ended 30 June</b>	
<i>Notes</i>	<b>2013 HK\$'000</b>	2012 HK\$'000	
Loss attributable to:			
Owners of the Company	<b>(6,227)</b>	(9,075)	
Non-controlling interests	–	–	
	<b>(6,227)</b>	(9,075)	
Total comprehensive expense attributable to:			
Owners of the Company	<b>(6,227)</b>	(9,075)	
Non-controlling interests	–	–	
	<b>(6,227)</b>	(9,075)	
<b>Loss per share (HK cents)</b>	<b>6</b>		
From continuing and discontinued operations			
Basic	<b>(0.59)</b>	(1.19)	
Diluted	<b>(0.59)</b>	(1.19)	
From continuing operations			
Basic	<b>(0.59)</b>	(1.19)	
Diluted	<b>(0.59)</b>	(1.19)	

Notes:

### 1. GENERAL INFORMATION

The Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in provision of management service, investment in financial and investment products. The addresses of its registered office and principle place of business are Unit 2306B-07, 23/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

### 2. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The financial statements are unaudited, but have been reviewed by the audit committee of the Group (the “**Audit Committee**”).

### 3. TURNOVER

An analysis of the Group’s revenue for the period from continuing operations is as follows:

	Three months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Management fee income	—	—
Less: PRC business tax and levies	—	—
	—	—

#### 4. LOSS BEFORE TAXATION

	Three months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Loss for the period from continuing operations has been arrived at after charging (crediting):		
Staff costs (including directors' emoluments)		
Salaries and allowances	897	804
Retirement benefits scheme contributions	13	78
	<b>910</b>	<b>882</b>
Amortisation of intangible asset (included in cost of sale)	3,290	8,177
Depreciation of property, plant and equipment	95	95
Operating lease charges in respect of rented premises	722	766

#### 5. TAXATION

Hong Kong Profits Tax has not been provided as the Group had no estimated assessable profit in Hong Kong for the period.

Tax arising in the PRC is calculated at the rates of tax prevailing in the PRC.



## 6. LOSS PER SHARE

### From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	Three months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
<b>Loss</b>		
Loss for the purpose of basic loss per share (Loss for the period attributable to owners of the Company)	<b>6,227</b>	9,075
<b>Number of shares</b>	'000	'000 (restated)*
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>1,058,840</b>	763,251
	<b>1,058,840</b>	763,251

\* being adjusted to reflect the effect of share consolidation in July 2012

The diluted loss per share for the continuing and discontinued operations is same as the basic loss per share for the continuing and discontinued operations as no potential ordinary shares outstanding in period ended 30 June 2013 and the dilutive potential ordinary shares were anti-dilutive in 2012.

### From continuing operations

The calculation of the basic loss per share from continuing operations attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	Three months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Loss for the period attributable to owners of the Company	6,227	9,075
Less: (Profit) loss for the period from discontinued operations	—	—
Loss for the purpose of basic loss per share from continuing operations	6,227	9,075

The denominators used are the same as those detailed above for basic loss per share and diluted loss per share for the continuing operations is same as the basic loss per share for the continuing operations as no potential ordinary shares outstanding in year 2013 and the dilutive potential ordinary shares were anti-dilutive in year 2012.

### From discontinued operations

For the period ended 30 June 2013, the basic earnings per share for the discontinued operations is HK cents nil per share and the diluted earnings per share are the same as basic earnings per share because the Company has no potential ordinary shares outstanding.

For the period ended 30 June 2012, the basic loss per share for the discontinued operations is HK cents nil (as restated) and the diluted loss per share for the discontinued operations is same as the basic loss per share as the dilutive potential ordinary shares were anti-dilutive.

## 7. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2013 (2012: Nil).

## 8. MOVEMENT OF RESERVES

	Equity attributable to owners of the Company										
	Share premium	Capital redemption reserve	Merger reserve	Special capital reserve	Translation reserve	Equity component of convertible bonds		Accumulated losses	Sub-total	Non-controlling interest	Total
						HK\$'000	HK\$'000				
At 1 April 2012	30,090	3,297	45,918	60,592	58,652	3,362	(526,175)	(324,264)	(5)	(324,269)	
Total comprehensive expense for the period	-	-	-	-	-	-	(9,075)	(9,075)	-	(9,075)	
Transfer to share premium (Note)	686,926	-	-	-	-	-	-	686,926	-	686,926	
Elimination of accumulated losses as at 31 March 2011 against share premium (Note)	(347,644)	-	-	-	-	-	347,644	-	-	-	
Redemption of convertible bonds	-	-	-	-	-	(3,362)	-	(3,362)	-	(3,362)	
At 30 June 2012	369,372	3,297	45,918	60,592	58,652	-	(187,606)	(350,225)	(5)	350,220	
At 1 April 2013	381,133	3,297	45,918	60,592	67,114	-	(321,981)	236,073	-	236,073	
Total comprehensive expense for the period	-	-	-	-	-	-	(6,227)	(6,227)	-	(6,227)	
At 30 June 2013	381,133	3,297	45,918	60,592	67,114	-	(328,208)	229,846	-	229,846	

### Note:

Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 12 December 2011 and the subsequent order of the High Court made on 29 May 2012, the amount of approximately HK\$686,926,000 then standing to the credit of the share capital accounts of the Company was reduced in accordance with the provisions of the Hong Kong Companies Ordinance (the "Capital Reorganisation") with effect from 26 June 2012.

Out of the credit arising from the Capital Reorganisation, approximately HK\$347,644,000 was applied to eliminate the accumulated losses of the Company as at 31 March 2011 and the remaining balance of approximately HK\$339,282,000 of the credit arising from the Capital Reorganisation was credited to share premium in the accounting records of the Company.

## **DIRECTOR'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

As at 30 June 2013, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 under the Laws of Hong Kong), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

### **Long positions in ordinary shares of HK\$0.1 each of the Company (the "Shares")**

No long positions of Directors in the Shares were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

### **Long positions in the shares of associated corporation**

No long positions of the Directors in the shares of the associated corporation of the Company were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

### **Long positions in underlying shares – share options granted by the Company**

No long positions of Directors in the underlying shares of the equity derivatives of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

### **Long positions in debentures**

No long positions of Directors in the debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

## Short positions in the Shares and the shares of associated corporation

No short positions of Directors in the Shares and the shares of its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

## Short positions in underlying shares

No short positions of Directors in the underlying shares of the equity derivatives of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

## Short positions in debentures

No short positions of Directors in the debentures of the Company or any of its associated corporation were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 to 5.67 of the GEM Listing Rules.

- 12 Save as disclosed above, at 30 June 2013, none of the Directors had any interests in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2013, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (in addition to those disclosed above in respect of the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 30 June 2013, the following persons (other than the interests disclosed above in respect of certain Directors or Chief Executives of the Company) had no interests and short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### Long positions in the shares of HK\$0.1 each of the Company

Name of Substantial Shareholder	Capacity/Nature of interest	Number of ordinary shares in the Company held	Percentage of issued share capital of the Company
Liang Ying Shu (Note 1)	Beneficial owner	74,244,700	7.01% (Note 2)
Wang Jiao (Note 1)	Beneficial owner	74,244,700	7.01% (Note 2)

Note:

1. These shares are registered under a jointly owned account. By virtue of the SFO, both parties were deemed to be interested in the Shares.
2. The percentage is based on 1,058,840,000 issued Shares as at 30 June 2013.

### Long positions in underlying shares

No long positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

### Short positions in the shares of the Company

No short positions of other persons and substantial shareholders in the shares of the Company were recorded in the register.

### Short positions in underlying shares

No short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Save as disclosed above, at 30 June 2013, the Directors were not aware of any other person who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has three members comprising all the independent non-executive Directors, namely, Mr. Lam Tze Chung as the chairman of the Audit Committee, Mr. Wu Ka Ho Stanley and Mr. Yue Laiqun. All Audit Committee members possess appropriate industry and financial experience to advise on the Group’s strategy and other matters. The composition of the Audit Committee meets the requirements of Rule 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are to ensure the adequacy and effectiveness of the accounting and financial controls of the Group, oversee the performance of internal control systems and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors.

The Group’s first quarterly results for the three months ended 30 June 2013 have been reviewed by the members of the Audit Committee.

## 14 REMUNERATION COMMITTEE

The Remuneration Committee comprised four members, three members are independent non-executive Directors namely Mr. Wu Ka Ho Stanley, Mr. Lam Tze Chung and Mr. Yue Laiqun and Mr. Yau Yan Ming Raymond being an executive Director. Mr. Wu Ka Ho Stanley was appointed as the chairman of the Remuneration Committee.

## NOMINATION COMMITTEE

The Nomination Committee comprised four members, three members are independent non-executive Directors namely Mr. Wu Ka Ho Stanley, Mr. Lam Tze Chung and Mr. Yue Laiqun, and Mr. Zha Jian Ping being an executive Director. Mr. Yue Laiqun was appointed as the chairman of the Nomination Committee.

## CORPORATE GOVERNANCE PRACTICES

During the period under review, the Company has applied the principles and complied with all the code provisions of Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules except for the deviation below:

## Appointment term of non-executive Directors

Under code provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term, subject to re-election while all Directors should be subject to retirement by rotation at least once every three years.

All independent non-executive Directors and non-executive Directors were not appointed for a specific term but they are subject to retirement by rotation and re-election at annual general meetings of the Company in line with the Articles. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Associations which would oblige the Company to offer new shares on a pro rate basis to existing shareholders.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company continued to adopt 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 had also made specific enquiry 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 the Directors.

## COMPETING INTERESTS

During the period under review, none of the Directors, the management shareholders of the Company or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause any significant competition with the business of the Group.



## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**Chinese Energy Holdings Limited**  
**Shi Yanmin**  
*Chairman*

Hong Kong  
9 August 2013

The Directors as at the date of this report are as follows:

### *Executive Directors*

Mr. Shi Yanmin  
Mr. Zha Jian Ping  
Mr. Yau Yan Ming Raymond  
Mr. Ji Peng

### *Non-executive Directors*

Ms. Qi Yue  
Mr. Wang Chuntian

### *Independent non-executive Directors*

Mr. Lam Tze Chung  
Mr. Wu Ka Ho Stanley  
Mr. Yue Laiqun