

Second Quarterly Report

**2014**



**Chinese Energy Holdings Limited**

(Incorporated in Hong Kong with limited liability)

Stock Code : 8009

## 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 profit attributable to owners of the Company for the six months ended 30 September 2014 was approximately HK\$6,001,000, as compared to the unaudited consolidated loss attributable to owners of the Company of approximately HK\$13,760,000 for the corresponding six-month period in 2013. No interim dividend is recommended for the period.

The Group continues to be in a healthy financial condition with current assets at a comfortable level of approximately HK\$270,411,000 at the end of the reporting period.

## BUSINESS REVIEW

During the six-month period ended 30 September 2014, the principal activities of the Company together with its subsidiaries (collectively the “**Group**”) were engaged in provision of management service, investment in financial and investment products, import and export trading of oil and gas related products and technical advisory and marketing consultation services.

The turnover for the Group was approximately HK\$93,459,000 as compared to HK\$Nil for the corresponding period in 2013. According to the Amended New Management Agreement, Shenzhen Careall Capital Investment Co., Ltd.\* (“**Careall Capital**”) will pay a fixed management fee of RMB10,000,000 for the period ended 31 August 2014 as compared to no profit generated nor fixed management fee from the previous relevant period. Hence, the Company did not receive any management fee income for the last corresponding period in 2013. The other turnover comes from the newly developed segment of import and export trading of oil and gas related products segment and technical advisory and marketing consultation services.

We continue our objective of enhancing the value of the Company's shares. We will cautiously make use of excess funds on investments in Hong Kong equity market. The investment strategy is reviewed and monitored frequently and we will take appropriate actions whenever necessary in response to the changes in fundamental market situation. With adequate funds on hand, we will also continue to identify venture companies with growth potential and also possess the management ability to capture business opportunities.

\* *the English translation of the Chinese name is for identification purpose only and should not be regarded as the official English translation of such Chinese name.*

## TERMINATION OF ACQUISITION AGREEMENT

As announced by the Company on 30 June 2014, the Company was informed by the Vendor that the independent third party financial institution that had financed the Target Company's acquisition of the Project Company had notified the Target Company of its proposed renegotiations of its financing terms given that the Acquisition has not completed after a lengthy period of time. The Vendor has today informed the Company that the third party financial institution had not agreed to the further extension of its facility to the Target Company as the anticipated completion of the Acquisition is uncertain and not imminent. Accordingly, the Vendor and the Company have agreed to terminate the Acquisition Agreement with immediate effect. For details please refer to the announcement of the Company dated 20 January 2014, 31 March 2014, 29 May 2014 and 9 July 2014.

## AMENDMENT OF NEW MANAGEMENT AGREEMENT

On 7 March 2014, Shenzhen Hua Ya Energy Company Limited, a wholly owned subsidiary of the Company and Careall Capital among other parties entered into an Amendment Agreement pursuant to which the parties conditionally agreed to revise the terms on payment of the management fee and the option to renew the contract in respect of the New Management Agreement. Such amendment was put forward as an ordinary resolution at the extraordinary general meeting (the "EGM") and was duly passed by the Shareholders by way of poll at the EGM held on 10 October 2014.

The new annual management fee consisting of the fixed fee and 15% of the Net Profits and the cancellation of the Option were determined as a package in exchange of the annual management fee of 70% of the Net Profits after arm's length negotiations between the parties to the Amendment Agreement. For details please refer to the announcement of the company dated 7 March 2014 and 10 October 2014 and circular dated 23 September 2014.

## PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 1 August 2014, the Company and the Placing Agent entered into the Placing Agreement, whereby the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis, of up to 211,760,000 Placing Shares to currently expected not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties at the Placing Price of HK\$0.18 per Placing Share. On 15 August 2014, 211,760,000 Placing Shares have been successfully placed by the Placing Agent to not less than six Placees at the Placing Price of HK\$0.18 per Placing Share pursuant to the terms and conditions of the Placing Agreement.

## OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE AND CHANGE IN BOARD LOT SIZE

### Open offer on the basis of one offer share for every two existing shares

On 1 August 2014, the Company announced that it proposed to raise not less than approximately HK\$52.9 million and not more than approximately HK\$63.5 million before expenses by issuing not less than 529,420,500 Offer Shares and not more than 635,300,500 Offer Shares at the Subscription Price of HK\$0.10 per Offer Share on the basis of one (1) Offer Share for every two (2) existing Shares held on the Record Date and payable in full upon application. On 15 August 2014, the Placing was completed and a total of 211,760,000 new Shares were placed out under the Placing. Accordingly the issued share capital of the Company as at the date after the issue of the placing shares is 1,270,601,000 Shares.

On 15 August 2014, the Placing was completed and a total of 211,760,000 new Shares were placed out under the Placing. Accordingly the issued share capital of the Company as at the Latest Practicable Date is 1,270,601,000 Shares. As at 4:00 p.m. on Friday, 26 September 2014, being the Latest Time for Acceptance of and payment for the Open Offer, 15 valid acceptances of the provisional allotment of Open Offer in respect of a total of 540,985,629 Offer Shares were received, which represent approximately 85.15% of the total 635,300,500 Offer Shares available for subscription under the Open Offer. Based on the above results, the Open Offer was under-subscribed by 94,314,871 Offer Shares, representing approximately 14.85% of the total number of Offer Shares available under the Open Offer. In accordance with the terms of the Underwriting Agreement, the Underwriter, Kingston Securities Limited, has procured subscribers to subscribe for, and the subscribers have agreed to subscribe 94,314,871 Offer Shares, which has not been taken up by the Qualifying Shareholders (the “**Untaken Shares**”). The Company’s issued share capital of 1,905,901,500 as enlarged by the allotment and issue of the 211,760,000 Placing Shares and the 635,300,500 Offer Shares immediately after completion of the Open Offer.

### Change of board lot size

Prior to 19 August 2014, the Shares were traded in board lots of 10,000 Shares each and the market value of each board lot is HK\$2,100 (based on the closing price of HK\$0.210 per Share as quoted on the Stock Exchange on the Last Trading Day). In order to increase the value of each board lot of the Shares, as well as to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposed to change the board lot size for trading of the Shares from 10,000 Shares to 20,000 Shares with effect from Tuesday, 19 August 2014. No new share certificates for existing Shareholders will be issued as a result of the change in board lot size, and therefore arrangement for free exchange of existing share certificates in board lot size of 10,000 Shares to new share

certificates in board lot size of 20,000 Shares is unnecessary. With effect from Tuesday, 19 August 2014, the Shares (including the Offer Shares to be issued under the Open Offer) has been traded in board lot of 20,000 Shares.

For details please refer to the announcement of the Company dated 1 August 2014, 15 August 2014, 28 August 2014 and 8 October 2014 and the listing documents of the Company dated 12 September 2014.

## USE OF PROCEEDS

Apart from the fund raising activity mentioned below, the Company has not conducted any other fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

<b>Date of announcement</b>	<b>Fund raising activity</b>	<b>Net proceeds raised (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
1 August 2014	Placing of 211,760,000 new shares under general mandate which was completed on 15 August 2014	HK\$37.1 million	For investment purposes and general working capital of the Group	Approximate HK\$37.1 million were used to purchase inventory for import and export trading of oil and gas related business

The Company intends to apply the proceeds from the Open Offer, which in aggregate amounts to approximately HK\$60 million, as to approximately 33% for capital investment in Shenzhen Hua Ya Energy Company Limited ("**Shenzhen Huaya**") and approximately 67% investing in oil and gas exploration business. The reasons for the capital investment in Shenzhen Huaya is that its registered capital is currently only RMB1,000,000 and in order to demonstrate to the regulatory authorities in the PRC that Shenzhen Huaya has the necessary capital to expand its business in the future, the Board decided to inject capital from the proceeds of the Open Offer into Shenzhen Huaya so as to establish to the regulatory authorities in the PRC and potential investors that Shenzhen Huaya has adequate capital readily available for any investment opportunities which may arise from time to time. Currently, the Board intends to invest via Shenzhen Huaya in energy sourcing and/or import and export trading of oil and gas related business in the PRC. As to the investment in relation to the oil and gas exploration business, besides the current participation agreements with Intrepid Drilling, LLC, the Company is actively looking for new investment opportunities in the United States.

As at 30 September 2014, the partial proceeds of approximately of HK\$54,099,000 from Open Offer remain in bank as the Offer Shares were not issued until 9 October 2014.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continues to be in a healthy financial position with current assets totaling approximately HK\$270,411,000 (31 March 2014: approximately HK268,571,000). The management of the Group considers its financial resources to be liquid because approximately 56% of this total comprised of bank balances and cash.

The Group's gearing ratio at 30 September 2014 was 0% (31 March 2014: 0%), as calculated by taking the ratio of the Group's total interest-bearing borrowings, divided by its shareholders' funds.

Group has no borrowings as at 30 September 2014 (31 March 2014: HK\$Nil) and no contingent liabilities as at 30 September 2014 (31 March 2014: HK\$Nil). As at 30 September 2014, the Group did not pledge any asset to a financial institution in respect of the due and punctual payment of its obligations (31 March 2014: HK\$Nil).

## FOREIGN EXCHANGE EXPOSURE

As of 30 September 2014, most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars, US dollars and Renminbi. The Group's exposure to currency risk is minimal. The Group did not have any derivatives for hedging against the foreign exchange risk at 30 September 2014.

## CREDIT RISK

Credit risk exposure represents trade receivables from customers which principally arise from our business activities. The Group has a credit policy in place and the credit risk is monitored on an on-going basis. In order to minimize the credit risk, management of the Group reviews the recoverable amount of trade debt owned by each individual at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Board of Directors consider that the Group's credit risk is significantly controlled. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 13% (31 March 2014: 100%) the total trade revenue and trade receivables was due from the Group's customer in the PRC, Shenzhen Careall Capital Investment Co., Ltd.\* for management fee, 86% was due from the single customer of oil product trading.

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## LIQUIDITY RISK

The Group monitors its current and expected liquidity requirements regularly and ensuring sufficient liquid cash and adequate committed lines of funding from reputable financial institutions are available to meet the Group's liquidity requirements in the short and long term.

## INVESTMENTS

The Company continues to identify suitable investments in Hong Kong stock equity market as well as any industry with high growth potential in the People's Republic of China (the "PRC"). As of 30 September 2014, the Group have financial investments with fair value of approximately HK\$17,802,000 (31 March 2014: HK\$Nil). The management will continue its conservative approach. In general, the investment strategy will be reviewed frequently to take appropriate actions whenever necessary in response to changes in market situation.

## REVENUE, GROSS PROFIT AND ADMINISTRATIVE EXPENSES

During the six-month period ended 30 September 2014, the Group's turnover was approximately HK\$93,459,000 which was comprised of revenue from management fee income, import and export trading of oil and gas related products and technical advisory and marketing consultation services as compared to a turnover of HK\$Nil for the corresponding six-month period in 2013.

The Group generated a net profit attributable to owners of the Company of approximately HK\$6,001,000 for the six months ended 30 September 2014, as compared to a net loss attributable to owners of the Company of approximately HK\$13,760,000 for the corresponding period in 2013. The gross profit for the period ended 30 September 2014 was approximately HK\$8,966,000 (2013: gross loss of approximately HK\$6,580,000). The Group's administrative expenses was amounted to approximately HK\$7,049,000 (2013: approximately HK\$7,187,000).

## COMMENTARY ON SEGMENTAL INFORMATION

### Geographical segments

The geographical location of the Group's financial and investment products can be categorised into the PRC, USA and Hong Kong. Details of results by geographical segments are shown in Note 5 to the condensed interim financial statements.



## Business segments

For management purposes, the Group is organised into four operating divisions during the period ended 30 September 2014. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- (a) Provision of management service;
- (b) Investments in financial and investment products;
- (c) Import and export trading of oil and gas related products; and
- (d) Technical advisory and marketing consultation services.

Details of results by business segments are shown in Note 5 to the condensed interim financial statements.

## EMPLOYEES

As of 30 September 2014, the Group employed 8 staffs (31 March 2014: 12). Remuneration for the employees of the Company is typically reviewed once a year by remuneration committee, or as the management deems appropriate. For the six months ended 30 September 2014, the total remuneration expenses, including contributions to the Mandatory Provident Fund, were approximately HK\$1,810,000 (2013: approximately HK\$1,914,000).

The Group has not granted any share option to the employees under its existing share option schemes.

## RESULTS

The board of Directors (the “**Board**”) presents the unaudited consolidated results of the Group for the three months and the six months ended 30 September 2014 together with the comparative unaudited figures for the corresponding periods in 2013 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2014

	Notes	Three months ended 30 September		Six months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover	4	93,459	–	93,459	–
Cost of sales		(81,966)	(3,290)	(84,493)	(6,580)
Gross profit (loss)		11,493	(3,290)	8,966	(6,580)
Other income		1,375	7	1,375	7
Net unrealised gain on financial assets designated as held for trading		2,709	–	2,709	–
Administrative expenses		(4,592)	(4,250)	(7,049)	(7,187)
Profit/(loss) before taxation	6	10,985	(7,533)	6,001	(13,760)
Profit/(loss) for the period attributable to owners of the Company		10,985	(7,533)	6,001	(13,760)
Other comprehensive expense for the period, net of tax Items that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation		(1)	(1,021)	(1)	(1,021)
		(1)	(1,021)	(1)	(1,021)
Total comprehensive income (expense) for the period attributable to owners of the Company, net of tax		10,984	(8,554)	6,000	(14,781)
<b>Earnings/(loss) per share</b>	8				
– basic (HK cents)		1.00	(0.71)	0.54	(1.30)
– diluted (HK cents)		1.00	(0.71)	0.54	(1.30)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 September 2014

		<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
	<i>Notes</i>	<u>HK\$'000</u>	<u>HK\$'000</u>
<b>Non-current assets</b>			
Property, plant and equipment		<b>110</b>	144
Intangible asset	11	<b>96,041</b>	101,096
Available-for-sale financial assets	12	<b>16,534</b>	14,766
		<u><b>112,685</b></u>	<u>116,006</u>
<b>Current assets</b>			
Trade and other receivables	13	<b>91,381</b>	19,819
Loan receivables		<b>10,446</b>	8,546
Held-for-trading investment		<b>17,802</b>	–
Bank deposits		<b>81,778</b>	80,422
Bank balances and cash		<b>69,004</b>	758
		<u><b>270,411</b></u>	<u>109,545</u>
Assets classified as held for sale	9	<u><b>–</b></u>	<u>159,026</u>
		<u><b>270,411</b></u>	<u>268,571</u>

	<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
<i>Notes</i>		
<b>Current liabilities</b>		
Trade and other payables	<b>3,709</b>	3,418
Deposit received for disposal of a subsidiary	–	8,000
Receipts in advance – Open Offer	<b>54,099</b>	–
Income tax payables	–	9
	<b>57,808</b>	11,427
Liabilities directly associated with assets classified as held for sale	9	91,026
	<b>57,808</b>	102,453
<b>Net current assets</b>	<b>212,603</b>	166,118
Total assets less current liabilities	<b>325,288</b>	282,124
<b>Net assets</b>	<b>325,288</b>	282,124
<b>Capital and reserves</b>		
Share capital	14	550,906
Reserves	<b>(262,782)</b>	(268,782)
<b>Equity attributable to owners of the Company</b>	<b>325,288</b>	282,124

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2014

	<b>Six months ended 30 September</b>	
	<b>2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) HK\$'000
Net cash (used in) generated from operating activities	<b>(8,561)</b>	84,723
Net cash generated from (used in) investing activities	<b>41,000</b>	(15,594)
Net cash generated from financing activities	<b>37,164</b>	–
Net increase in cash and cash equivalents	<b>69,603</b>	69,129
Cash and cash equivalents at beginning of period	<b>81,180</b>	16,100
Effect of foreign exchange rate changes	<b>(1)</b>	(1,021)
Cash and cash equivalents at end of period	<b>150,782</b>	84,208
Analysis of balances of cash and cash equivalents Represented by bank balances and cash	<b>150,782</b>	84,208

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Merger reserve HK\$'000	Special capital reserve HK\$'000	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2013 (audited)	105,884	381,133	3,297	45,918	60,592	67,114	-	(321,981)	341,957
Total comprehensive expenses for the period	-	-	-	-	-	(1,021)	-	(13,760)	(14,781)
At 30 September 2013 (unaudited)	105,884	381,133	3,297	45,918	60,592	66,093	-	(335,741)	327,176

	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Merger reserve HK\$'000	Special capital reserve HK\$'000	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
At 1 April 2014 (audited)	550,906	-	-	45,918	-	66,355	(149)	(380,906)	282,124
Profit for the period	-	-	-	-	-	-	-	6,001	6,001
Other comprehensive expenses – Exchange differences arising on translation	-	-	-	-	-	(1)	-	-	(1)
Total comprehensive (expenses) income for the period	-	-	-	-	-	(1)	-	6,001	6,000
Issue of shares by placing (Note a)	37,164	-	-	-	-	-	-	-	37,164
At 30 September 2014 (unaudited)	588,070	-	-	45,918	-	66,354	(149)	(374,905)	325,288

Note:

- (a) The Company has issued and allotted 211,760,000 new shares at HK\$0.18 per share by placing on 15 August 2014.

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2014

## 1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. 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, import and export trading of oil and gas related products and technical advisory and marketing consultation services. The addresses of its registered office and principle place of business are Unit 2207, 22/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) 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 (the “**GEM Rules**”).

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

Except for the new and revised HKFRSs applied by the Group in the current period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2014 are consistent with those adopted in preparing the Group’s annual financial statements for the year ended 31 March 2014.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

### **New and revised HKFRSs affecting amounts reported and/or disclosures in the financial statements**

In the current period, the Group has applied the following new and revised HKFRSs issued by the HKICPA:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

### **New and revised HKFRSs in issue but not yet effective**

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>4</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transitional Disclosures <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations <sup>4</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HKFRS 15	Revenue from contracts with customers <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plant <sup>4</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>1</sup>
Amendments to HKAS 27	Equity method in separate financial statements <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

<sup>3</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2018

The directors of the Company anticipate that the application of the above new or revised HKFRSs have been issued but are not yet effective will have no material impact on the results and the financial position of the Group.



#### 4. TURNOVER

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

	Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Management fee income <sup>1</sup>	11,740	–
Import and export trading of oil and gas related products	80,540	–
Technical advisory and marketing consultation services	1,179	–
	<b>93,459</b>	–

<sup>1</sup> According to the amended new management agreement, the Careall Capital did not generate any profit for the relevant period. Hence, the Company will receive a fixed management fee income.

#### 5. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- (a) Provision of management services;
- (b) Investment in financial and investment products;
- (c) Provision of technical advisory and marketing consultation services; and
- (d) Import and export trading of oil and gas related products.

The followings is an analysis of the Group's revenue and results from continuing operations by reportable segment.

## Segment Revenue and Results

For the six months ended 30 September 2014

	Provision of management service		Investment in financial and investment products		Technical advisory and marketing consultation services		Import and export trading of oil and gas related products		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
SEGMENT TURNOVER										
External sales	11,740	-	-	-	1,179	-	80,540	-	93,459	-
SEGMENT RESULTS	6,686	(6,580)	2,709	-	32	-	2,248	-	11,675	(6,580)
Unallocated corporate income									1,375	7
Unallocated corporate expenses									(7,049)	(7,187)
Profit/(loss) before taxation									6,001	(13,760)
Income tax expenses									-	-
Profit/(loss) for the period									6,001	(13,760)

## Segment Assets and Liabilities

At 30 September 2014

	Provision of management service		Investment in financial and investment products		Technical advisory and marketing consultation services		Import and export trading of oil and gas related products		Total	
	30 September 2014	31 March 2014	30 September 2014	31 March 2014	30 September 2014	31 March 2014	30 September 2014	31 March 2014	30 September 2014	31 March 2014
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>										
Segment assets	96,041	101,096	34,336	14,766	29,456	2,400	40,124	-	199,957	118,262
Asset classified as held for sale	-	159,076	-	-	-	-	-	-	-	159,026
Unallocated segment assets	-	-	-	-	-	-	-	-	183,139	107,289
Consolidated assets									383,096	384,577
<b>LIABILITIES</b>										
Segment liabilities	-	-	-	-	2,388	2,388	-	-	2,388	2,388
Liability directly associated with asset classified as held for sale	-	16,683	-	-	-	-	-	-	-	16,683
Unallocated segment liabilities	-	-	-	-	-	-	-	-	55,420	83,382
Consolidated liabilities									57,808	102,453

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments, other than bank balances and cash and assets which are not able to be allocated into reportable segments.
- all liabilities are allocated to reportable segments, other than income tax payables and certain other payables which are not able to be allocated into reportable segments.

## Geographical segments

The Group's revenue from external customer and information about its non-current assets by geographical location of the assets are disclosed below:

	Revenue from external customers Six months ended 30 September		Non-current assets Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
The PRC	12,919	–	96,041	138,184
Hong Kong	80,540	–	110	167
USA	–	–	16,534	–
	<b>93,459</b>	–	<b>112,685</b>	138,351

## Information about major customer

Revenue from customer of the corresponding period contributing over 10% of the total revenue of the Group is as follows:

	Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Customer A <sup>1</sup>	11,740	–
Customer B <sup>2</sup>	80,540	–

1. Revenue from provision of management service.
2. Revenue from import and export trading of oil and gas related products.

## 6. PROFIT (LOSS) BEFORE TAXATION

Profit (Loss) before taxation is arrived at after charging:

	Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Staff costs		
Salaries and allowances	1,776	1,887
Net contributions to retirement benefits schemes	34	27
	1,810	1,914
Operating lease charges in respect of rented premises	850	1,300
Amortisation of intangible assets	5,055	6,580
Depreciation of property, plant and equipment	34	190
Legal and Professional fee	1,851	1,763

## 7. TAXATION

	Three months ended 30 September		Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Current Tax</b>				
The PRC	-	-	-	-
Taxation attributable to the Group	-	-	-	-

Hong Kong Profits Tax has not been provided as the Group had no estimated assessable profits in Hong Kong for both periods.

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

## 8. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
<b>Profit/(loss)</b>		
Profit/(loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	6,001	(13,760)
<b>Number of shares</b>	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	1,110,913	1,058,841

The diluted earnings (loss) per share is same as the basic earnings (loss) per share as there is no potential ordinary shares outstanding in both periods.

## 9. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 20 June 2013, the Company entered into the Agreement with the Vendor, the Purchaser and the Guarantor pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share, representing the entire issued and paid up share capital of Supreme Luck International Limited (“**Supreme Luck**”) at the consideration of HK\$68,000,000.

Supreme Luck was an indirect wholly-owned subsidiary of the Company and will only hold accounts receivable and income tax payables and other tax payables of amounts of HK\$159,026,000 and HK\$91,026,000 respectively. Therefore, the asset of Supreme Luck and the directly associated liabilities were reclassified as held for sale and are separately presented in the condensed consolidated statement of financial position as at 30 September 2013. A deposit of HK\$8,000,000 had been paid by the Purchaser on 15 January 2014. The Company announced on 8 July 2014 that the Purchaser had on 19 June 2014 paid HK\$20,000,000 of HK\$40,000,000 outstanding pursuant to the Agreement. On 18 August 2014, the remaining amount of HK\$20,000,000 due from the Purchaser was paid to the Company. As at the period ended 30 September 2014, no further amounts of money is due from the Purchaser as consideration under the Agreement.

Further details of the Disposal are set out in the announcements of the company dated 20 June 2013, 24 October 2013, 14 January 2014, 6 March 2014, 6 June 2014, 8 July 2014 and 18 August 2014.

### Disposal of a subsidiary

The net assets of Supreme Luck at the date of disposal were as follows:

	HK\$'000
Trade receivable	159,026
Other payable	(16,683)
Income tax payable	(74,343)
Net assets disposed of	68,000
Total consideration	(68,000)
Gain on disposal	–

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiary is as follows:

Net cash inflow arising on disposal:	
Cash consideration received	68,000

## 10. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2014 (2013: Nil).

## 11. INTANGIBLE ASSET

	<b>Exclusive right</b>
	HK\$'000
<b>COST</b>	
At 1 April 2013	1,014,083
Exchange realignment	6,171
	<hr/>
At 31 March 2014, 1 April 2014 and 30 September 2014	1,020,254
	<hr/>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>	
At 1 April 2013	869,319
Provided for the year	12,607
Impairment loss recognised in the year	32,059
Exchange realignment	5,173
	<hr/>
At 31 March 2014 and 1 April 2014	919,158
Provided for the period	5,055
	<hr/>
At 30 September 2014	924,213
	<hr/>
<b>CARRYING VALUES</b>	
At 30 September 2014 ( <i>unaudited</i> )	96,041
	<hr/>
At 31 March 2014 ( <i>audited</i> )	101,096
	<hr/>

The intangible asset is amortised on straight-line basis over its estimated useful lives of 11 years.

The Board is of the view that the intangible asset in relation to the exclusive right derived from the Management Agreement will only be impaired as a result of the following events:

- a) significant delay in receiving the management fee under the New Management Agreement;
- b) the portfolio suffer a significant lost or become bankrupted);
- c) the deteriorate of profitability of the portfolio and Careall Capital; and
- d) the change in business risk and change in government policy which will have adverse effects to the business of Careall Capital.

For the six months ended 30 September 2014, the directors of the Company are of the opinion that the recoverable amount is exceeds its carrying value and accordingly no write-down on carrying value of intangible asset is considered necessary.



## 12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Details of the Group's available-for-sale financial assets are as follows:

	<b>30 September 2014 (Unaudited) HK'000</b>	31 March 2014 (Unaudited) HK'000
Unlisted investments outside Hong Kong at fair value	<b>16,534</b>	14,766

The above unlisted investments were the 10% of working interests of two drilling wells located in Calcasieu Parish and Lafourche Parish, State of Louisiana in United States indicated from the participation agreements signed with an independent, privately owned and operated oil and gas exploration company incorporated and based in Columbia, State of Mississippi in United States.

## 13. TRADE AND OTHER RECEIVABLES

	<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
Trade receivables	<b>56,390</b>	2,400
Prepayments, deposits and other receivables	<b>34,991</b>	17,419
	<b>91,381</b>	19,819

The Group allows an average credit period of 180 days given to the customers.

An aged analysis of trade receivables presented based on invoice date was as follows

	<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
Current to 180 days	<b>53,990</b>	2,400
181 to 365 days	<b>2,400</b>	–
Over 365 days	–	–
	<b>56,390</b>	2,400

## 14. SHARE CAPITAL

	Notes	Number of shares '000	Amount HK\$'000
<b>Maximum number of shares can be issued</b>			
At 1 April 2013			
ordinary shares of HK\$0.1 each	(a)	10,000,000	1,000,000
At 31 March 2014, 1 April 2014 and 30 September 2014		N/A	N/A
<b>Issued and fully paid</b>			
At 1 April 2013 ordinary shares of HK\$0.1 each		1,058,841	105,884
Transfer from the share premium, capital redemption reserve and special capital reserve	(b)	–	445,022
At 31 March 2014 and 1 April 2014, ordinary shares with no par value		1,058,841	550,906
Issue of shares by placing for cash	(c)	211,760	37,164
At 30 September 2014, ordinary shares with no par value		1,270,601	588,070

- (a) The Company has no authorised share capital and its shares have no par value from the commencement date of the Hong Kong Companies Ordinance (Cap. 622) (i.e. 3 March 2014).
- (b) The Hong Kong Companies Ordinance (Cap. 622) abolishes authorised share capital, par value, share premium, capital redemption reserve and special capital reserve, in respect of the share capital of Hong Kong companies. As a result, the amounts of share premium, capital redemption reserve and special capital reserve of the Company are transferred to the share capital.
- (c) The Company has issued and allotted 211,760,000 new shares at HK\$0.18 per share by placing on 15 August 2014.

## 15. OPERATING LEASE COMMITMENTS AND CAPITAL COMMITMENTS

### As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under operating leases in respect of land and buildings which fall due as follows:

	<b>30 September 2014 (Unaudited) HK\$'000</b>	31 March 2014 (Audited) HK\$'000
Within one year	<b>1,690</b>	1,695
In the second to fifth year inclusive	<b>–</b>	845
	<b>1,690</b>	2,540

Operating lease payments in respect of land and buildings represent rentals payable by the Group for its office premises. Leases are fixed for an average of two years.

During the period, the Group has capital commitment of approximately HK\$72,000 (31 March 2014: approximately HK\$1,840,000).

## 16. RELATED PARTY DISCLOSURES

During the period, the Group had no transactions with a related party.

### Compensation of key management personnel

The emoluments of directors of the Company and the key management were as follows:

	<b>Six months ended 30 September 2014 (Unaudited) HK\$'000</b>	2013 (Unaudited) HK\$'000
Salaries and allowance	<b>1,472</b>	1,635
Retirement benefits scheme contributions	<b>17</b>	15
	<b>1,489</b>	1,650

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS**

As at 30 September 2014, neither of the Directors nor the Chief Executive of the Company had interests or short positions in the shares of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571, Laws of Hong Kong)) which (i) are 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 and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

### **Long positions in ordinary shares of the Company (the "Shares")**

No long positions of Directors in the shares 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 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 of the Company

No short positions of Directors in the shares 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 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 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. At 30 September 2014, 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.

## INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 30 September 2014, 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 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 (Note1)	Beneficial owner	74,244,700	5.84% (Note2)
Wang Jiao (Note1)	Beneficial owner	74,244,700	5.84% (Note2)

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 1,270,601,000 issued Shares as at 30 September 2014.

## 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, as at 30 September 2014 the Directors and Chief Executive of the Company are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any persons (not being a Director) have interests or short positions in the shares or underlying shares of the Company which would full to be disclosed to the Company under the provisions in Divisions 2 and 3 of Part XV of the SFO.

## AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has an audit committee (“**Audit Committee**”) which was established with written terms of reference in compliance with the GEM Listing Rules. As at the date of this report, the Audit Committee had three members comprising the three independent non-executive Directors, namely Mr. Lam Tze Chung (Chairman of the Audit Committee), Mr. Wu Ka Ho Stanley, Mr. Yue Laiqun (resigned on 1 September 2014) and Mr. Qian Fengjun (appointed on 1 September 2014). The primary duties of the Audit Committee are to review the financial information of the Group and supervise the financial reporting process and internal control procedures of the Group. The Group’s interim results for the six months ended 30 September 2014 have been reviewed by the members of the Audit Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange listing requirements and legal requirements and that adequate disclosures have been made.

## COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors’ securities transactions in securities of the Company. Upon the Group’s specific enquiry, each Director confirmed that during the period ended 30 September 2014 he or she had fully complied with the required standard of dealings and there was no event of non-compliance.

## COMPETING INTERESTS

During the period under review, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business that competed with the Group or might compete with the business of the Group.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the period under review, the Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices (the “**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 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 Code.

## Attendance of Directors

Code Provision E.1.2 requires that the chairman of the board should attend the annual general meeting. Mr. Shi Yanmin, the Chairman of the Company, did not attend the annual general meeting of the Company which was held on 18 August 2014 ("AGM") as he had other business engagement. The executive directors and the financial controller of the Company, the chairman of the audit committee, remuneration committee, and the member of the nomination committee of the Company, and the external Auditors of the Company attended the AGM. The Company considers that their presence is sufficient for answering questions of the shareholders at the AGM.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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**  
**Tang Jing**  
*Chairman*

Hong Kong, 10 November 2014



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

*Executive Directors*

Ms. Tang Jing

Mr. Yau Yan Ming Raymond

Mr. Zha Jian Ping

*Non-executive Director*

Ms. Qi Yue

*Independent non-executive Directors*

Mr. Lam Tze Chung

Mr. Wu Ka Ho Stanley

Mr. Qian Fengjun