

Chinese Energy Holdings Limited

華夏能源控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 8009)

2021/2022 INTERIM RESULTS ANNOUNCEMENT

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

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This announcement, for which the directors (“**Directors**” and each a “**Director**”) 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 the GEM (the “**GEM Listing Rules**”) of the Stock Exchange 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 knowledges and beliefs: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

HIGHLIGHTS

- The Company and its subsidiaries (collectively referred to as the “**Group**”) recorded a revenue of approximately HK\$202,925,000 (2020: HK\$212,940,000) for the six months ended 30 September 2021, representing a decrease of approximately 4.70% when compared with the same period in 2020.
- The Group recorded an unaudited consolidated profit attributable to owners of the Company of approximately HK\$2,023,000 for the six months ended 30 September 2021 as compared with a loss of approximately HK\$723,000 for the same period of last year. The board (the “**Board**”) of Directors considered that the improvement in the performance of the Group was mainly attributable to the increase in gross profit arising from increase in gross profit margin, decrease in interest expense on convertible note (“**CN**”) (under finance costs), and increase in a value-added item of handling fee income (under other income).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021.

RESULTS

The Board of the Company hereby announces the unaudited consolidated results of the Group for the three months and six months ended 30 September 2021, together with the comparative unaudited figures for the corresponding periods in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Three months ended		Six months ended	
		30 September		30 September	
		2021	2020	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	101,726	106,366	202,925	212,940
Cost of sales		<u>(98,800)</u>	<u>(103,624)</u>	<u>(197,374)</u>	<u>(209,000)</u>
Gross profit		2,926	2,742	5,551	3,940
Other income	6	4,356	274	4,932	1,109
Impairment loss under expected credit loss (“ECL”) model on a trade receivable		(1,204)	–	(2,403)	–
Administrative expenses		(1,829)	(1,784)	(3,871)	(3,866)
Finance costs		<u>(25)</u>	<u>(716)</u>	<u>(36)</u>	<u>(1,400)</u>
Profit (loss) before tax	7	4,224	516	4,173	(217)
Income tax expense	8	<u>(1,798)</u>	<u>(407)</u>	<u>(2,150)</u>	<u>(506)</u>
Profit (loss) for the period		<u>2,426</u>	<u>109</u>	<u>2,023</u>	<u>(723)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	Three months ended 30 September		Six months ended 30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Note</i>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other comprehensive income (expense) for the period, net of income tax				
<i>Item that has been reclassified or may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	484	10,701	5,061	11,423
<i>Item that will not be reclassified to profit or loss:</i>				
Fair value (loss) gain on investment in financial assets at fair value through other comprehensive income ("FVTOCI")	<u>(4,424)</u>	<u>3,928</u>	<u>(3,219)</u>	<u>12,450</u>
Other comprehensive (expense) income for the period	<u>(3,940)</u>	<u>14,629</u>	<u>1,842</u>	<u>23,873</u>
Total comprehensive (expense) income for the period	<u><u>(1,514)</u></u>	<u><u>14,738</u></u>	<u><u>3,865</u></u>	<u><u>23,150</u></u>
Earnings (loss) per share				
	9			
– basic (HK cents)	<u><u>4.12</u></u>	<u><u>0.19</u></u>	<u><u>3.43</u></u>	<u><u>(1.23)</u></u>
– diluted (HK cents)	<u><u>4.12</u></u>	<u><u>0.19</u></u>	<u><u>3.43</u></u>	<u><u>(1.23)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment (“PPE”)	11	549	46
Right-of-use assets		1,650	352
Financial assets at FVTOCI	12	53,788	55,795
		55,987	56,193
Current assets			
Trade and other receivables	13	179,525	176,469
Non-pledged time deposit		12,515	12,187
Cash and cash equivalents		175,851	169,835
		367,891	358,491
Current liabilities			
Other payables and accruals	14	5,604	1,983
Lease liabilities		932	351
Tax liabilities		5,345	4,905
		11,881	7,239
Net current assets		356,010	351,252
Total assets less current liabilities		411,997	407,445
Non-current liability			
Lease liabilities		710	23
Net assets		411,287	407,422
Capital and reserves			
Share capital	15	847,601	847,601
Reserves		(436,314)	(440,179)
Total equity		411,287	407,422

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	CN equity reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2020 (audited)	847,601	(2,566)	3,398	45,918	31,380	(791)	(555,104)	369,836
Loss for the period	-	-	-	-	-	-	(723)	(723)
Other comprehensive income								
- Exchange differences arising on translation of foreign operations	-	-	-	-	11,423	-	-	11,423
- Fair value gain on investment in financial assets at FVTOCI	-	263	-	-	-	12,187	-	12,450
Total comprehensive income (expenses) for the period	-	263	-	-	11,423	12,187	(723)	23,150
As at 30 September 2020 (unaudited)	<u>847,601</u>	<u>(2,303)</u>	<u>3,398</u>	<u>45,918</u>	<u>42,803</u>	<u>11,396</u>	<u>(555,827)</u>	<u>392,986</u>
	Share capital <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	CN equity reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2021 (audited)	847,601	(808)	-	45,918	54,761	21,727	(561,777)	407,422
Profit for the period	-	-	-	-	-	-	2,023	2,023
Other comprehensive income (expenses)								
- Exchange differences arising on translation of foreign operations	-	-	-	-	5,061	-	-	5,061
- Fair value gain (loss) on investment in financial assets at FVTOCI	-	845	-	-	-	(4,064)	-	(3,219)
Total comprehensive income (expenses) for the period	-	845	-	-	5,061	(4,064)	2,023	3,865
As at 30 September 2021 (unaudited)	<u>847,601</u>	<u>37</u>	<u>-</u>	<u>45,918</u>	<u>59,822</u>	<u>17,663</u>	<u>(559,754)</u>	<u>411,287</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from (used in) operating activities	5,894	(8,016)
Net cash (used in) generated from investing activities	(1,285)	68,560
Net cash used in financing activities	(514)	(888)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	4,095	59,656
Cash and cash equivalents at beginning of period	169,835	115,886
Effect of foreign exchange rate changes	1,921	3,378
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>175,851</u>	<u>178,920</u>
 Analysis of balances of cash and cash equivalents:		
Represented by deposit in financial institutions, bank balances and cash	<u>175,851</u>	<u>178,920</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong (“**HK**”) and its ordinary shares (“**Shares**” and each a “**Share**”) are listed on the GEM of the Stock Exchange. The addresses of its registered office and principle place of business of the Company are Unit 3517, Floor 35, West Tower, Shun Tak Centre, No. 168-200 Connaught Road Central, HK. The Group principally engaged in trading of liquefied natural gas (“**LNG**”), investment in financial assets, general trading (including market sourcing of technical and electronic products) and provision of money lending.

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 GEM Listing Rules.

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

Except for the amendments to Hong Kong Financial Reporting Standards (“**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 2021 are consistent with those adopted in preparing the Group’s annual financial statements for the year ended 31 March 2021.

The financial information relating to the year ended 31 March 2021 included in these financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2021 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s external auditor has reported on the financial statements for the years ended 31 March 2020 and 2021. The independent auditor’s reports were unqualified; did not include references to any matter to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain statements under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The condensed consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the condensed consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Companies Ordinance.

The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee (the “**Audit Committee**”) of the Company and were approved for issue by the Board.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current period

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current period:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

New and amendments to HKFRSs issued but not yet effective

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

Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ¹
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective date to be determined.

The Directors do not anticipate that the application of these new and amendments to HKFRSs will have any material impact on the Group's consolidated financial statements in the foreseeable future.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE

Disaggregation of revenue from contracts with customers:

	Three months ended 30 September		Six months ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Types of goods and service				
Trading of LNG	<u>101,726</u>	<u>106,366</u>	<u>202,925</u>	<u>212,940</u>
Revenue from contracts with customers	<u>101,726</u>	<u>106,366</u>	<u>202,925</u>	<u>212,940</u>

Disaggregation of revenue from contracts with customers by timing of revenue recognition:

	Trading of LNG	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
For three months ended 30 September		
Disaggregated by timing of revenue recognition		
Point in time	<u>101,726</u>	<u>106,366</u>
For six months ended 30 September		
Disaggregated by timing of revenue recognition		
Point in time	<u>202,925</u>	<u>212,940</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. SEGMENT INFORMATION

The Group's operating segments represent information reported to the Board, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

- (a) Trading of LNG;
- (b) Investment in financial assets;
- (c) General trading (including market sourcing of technical and electronic products); and
- (d) Money lending.

Segment revenue and results

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

For the six months ended 30 September 2021

	Trading of LNG		Investment in financial assets		General trading		Money lending		Total	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
SEGMENT REVENUE	202,925	212,940	-	-	-	-	-	-	202,925	212,940
SEGMENT RESULTS	9,815	3,940	437	353	(2,403)	-	-	-	7,849	4,293
Unallocated corporate income									231	756
Unallocated corporate expenses									(3,907)	(5,266)
Profit (loss) before tax									4,173	(217)
Income tax expense									(2,150)	(506)
Profit (loss) for the period									<u>2,023</u>	<u>(723)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

As at 30 September 2021

	Trading of LNG		Investment in financial assets		General trading		Money lending		Total	
	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
ASSETS										
Segment assets	135,389	134,808	53,788	55,795	2,473	4,819	1,252	281	192,902	195,703
Unallocated segment assets									230,976	218,981
Consolidated assets									<u>423,878</u>	<u>414,684</u>
LIABILITIES										
Segment liabilities	(2,842)	(1,068)	-	-	(4,738)	(4,815)	(1,258)	(299)	(8,838)	(6,182)
Unallocated segment liabilities									(3,753)	(1,080)
Consolidated liabilities									<u>(12,591)</u>	<u>(7,262)</u>

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

- all assets are allocated to reportable segments, other than part of PPE, part of right-of-use assets, other receivables, non-pledged time deposit, and cash and cash equivalents which cannot be allocated into these reportable segments; and
- all liabilities are allocated to reportable segments, other than part of other payables and accruals, and part of lease liabilities which cannot be allocated into these reportable segments.

Geographical information

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

	Revenue from external customers		Non-current assets*	
	Six months ended 30 September 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
The People's Republic of China ("PRC")	202,925	212,940	947	117
HK	—	—	1,252	281
	<u>202,925</u>	<u>212,940</u>	<u>2,199</u>	<u>398</u>

* Non-current assets exclude financial assets at FVTOCI.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. SEGMENT INFORMATION (CONTINUED)

Information about major customers

Revenue from customers contributing over 10% of the revenue of the corresponding periods for the Group from continuing business is as follows:

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from trading of LNG		
Customer A	171,455	188,972
Customer B	30,132	23,968
	<u>171,455</u>	<u>188,972</u>

6. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Dividend income	–	–	437	353
Handling fee income	4,264	–	4,264	–
Interest income from banks and financial institutions	85	220	218	696
Net exchange gain	7	–	7	–
Other refund	–	54	6	54
Sundries	–	–	–	6
	<u>4,356</u>	<u>274</u>	<u>4,932</u>	<u>1,109</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging (crediting) the following items:

	Three months ended 30 September		Six months ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Staff costs (including Directors' emoluments)				
Salaries, allowances and other benefits	895	961	1,708	1,975
Contributions to retirement benefits schemes	20	16	39	27
	<u>915</u>	<u>977</u>	<u>1,747</u>	<u>2,002</u>
External auditor's remuneration				
– audit services	105	100	210	200
– other services	25	25	50	50
Depreciation of PPE	32	9	54	29
Depreciation of right-of-use assets	249	225	509	451
Impairment loss under ECL model on a trade receivable	1,204	–	2,403	–
Legal and professional fees	99	45	223	114
Net exchange (gain) loss	(59)	(44)	(7)	35
Lease payments for short-term lease not included in the measurement of lease liabilities	11	11	22	22
	<u>11</u>	<u>11</u>	<u>22</u>	<u>22</u>

8. INCOME TAX EXPENSE

Under the Two-tiered Profits Tax Rates Regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the Two-tiered Profits Tax Rates Regime will continue to be taxed at a flat rate of 16.5%. The Directors considered the amount involved upon implementation of the Two-tiered Profits Tax Rates Regime is insignificant to the condensed consolidated financial statements. HK Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for HK profits tax had been made as the Group did not generate any assessable profits in HK for both periods.

Under the Law of PRC on Enterprise Income Tax (“EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25% for both periods. Taxation for other entities of the Group is charged at their respective applicable income tax rates ruling in the relevant jurisdictions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. EARNINGS (LOSS) PER SHARE

The basic and diluted earnings (loss) per Share attributable to owners of the Company are calculated on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Earnings (loss)				
Earnings (loss) for the purpose of basic earnings (loss) per Share	2,426	109	2,023	(723)
Effect of dilutive potential Shares:				
Interest expense on CN (net of income tax)	—	—	—	—
Earnings (loss) for the purpose of diluted earnings (loss) per Share	<u>2,426</u>	<u>109</u>	<u>2,023</u>	<u>(723)</u>
	'000	'000	'000	'000
Number of Shares				
Number of Shares for the purpose of basic earnings (loss) per Share	58,901	58,901	58,901	58,901
Effect of dilutive potential Shares:				
CN	—	—	—	—
Number of Shares for the purpose of diluted earnings (loss) per Share	<u>58,901</u>	<u>58,901</u>	<u>58,901</u>	<u>58,901</u>

The calculation of basic and diluted earnings (loss) per Share are based on the profit (loss) attributable to owners of the Company, and 58,900,537 (2020: 58,900,537) Shares in issue.

For the six months ended 30 September 2020, the computation of diluted loss per Share has not assumed the conversion of the Company's outstanding CN since the exercise would result in a decrease in loss per Share.

10. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: Nil).

11. PPE

During the six months ended 30 September 2021, the Group spent approximately HK\$549,000 on PPE (2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. FINANCIAL INSTRUMENTS

12a. Categories of financial instruments

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Financial assets:		
Financial assets at FVTOCI	53,788	55,795
Financial assets at amortised cost	<u>346,947</u>	<u>339,342</u>
	<u><u>400,735</u></u>	<u><u>395,137</u></u>
Financial liability:		
Financial liabilities at amortised cost	<u><u>4,656</u></u>	<u><u>1,055</u></u>

12b. Fair value measurement

(i) *Financial instruments carried at fair value*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, fair value measurement. The level into which a fair value measurement is classified with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities as at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Fair value of the Group's financial instruments, including financial assets at FVTOCI – listed equity securities which are categorised into Level 1, are determined with reference to quoted market closing prices in an active market.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. FINANCIAL INSTRUMENTS (CONTINUED)

12b. Fair value measurement (Continued)

(i) *Financial instruments carried at fair value (Continued)*

	Fair value as at 30 September 2021 HK\$'000 (Unaudited)	Fair value measurement as at 30 September 2021 categorised into		
		Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)
Financial assets:				
Financial assets at FVTOCI				
– listed equity securities	52,584	52,584	–	–
– unlisted fund	1,204	–	–	1,204
	<u>53,788</u>	<u>52,584</u>	<u>–</u>	<u>1,204</u>
	Fair value as at 31 March 2021 HK\$'000 (Audited)	Fair value measurement as at 31 March 2021 categorised into		
		Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)
Financial assets:				
Financial assets at FVTOCI				
– listed equity securities	55,795	55,795	–	–
	<u>55,795</u>	<u>55,795</u>	<u>–</u>	<u>–</u>

During the reporting periods ended 30 September 2021 and 31 March 2021, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting periods in which they occur.

(ii) *Fair values of financial instruments that are not measured at fair value (but fair value disclosure are required)*

In respect of trade and other receivables, non-pledged time deposit, cash and cash equivalents as well as other payables and accruals, the carrying amounts approximate their fair value due to the relatively short-term nature of these financial instruments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables from contracts with customers	153,005	152,127
Less: allowance for credit losses	<u>(15,214)</u>	<u>(12,595)</u>
	137,791	139,532
Other receivables, prepayments and deposits	<u>41,734</u>	<u>36,937</u>
	<u>179,525</u>	<u>176,469</u>

The Group's credit period granted to each customer was generally for an average period from 60 days to 180 days. The following is an aging analysis of the Group's trade receivables presented based on the invoice date net of allowance for credit losses at the end of the reporting periods:

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Within 90 days	100,029	88,774
91 to 180 days	35,360	46,034
181 to 365 days	–	–
Over 365 days	<u>2,402</u>	<u>4,724</u>
	<u>137,791</u>	<u>139,532</u>

14. OTHER PAYABLES AND ACCRUALS

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Other payables and accruals	3,014	681
PRC value-added tax and levies payables	<u>2,590</u>	<u>1,302</u>
	<u>5,604</u>	<u>1,983</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. SHARE CAPITAL

	Number of Shares '000	Amount HK\$'000
Issued and fully paid		
As at 1 April 2020, 30 September 2020, 31 March 2021, 1 April 2021 and 30 September 2021, Shares with no par value	<u>58,901</u>	<u>847,601</u>

16. RELATED PARTY DISCLOSURE

Remuneration for key management personnel

Remuneration for key management personnel, including emoluments paid to the Directors and certain employees of the Group, are follows:

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowances and other benefits	985	1,252
Contributions to retirement benefits schemes	<u>9</u>	<u>9</u>
Total remuneration paid to key management personnel	<u>994</u>	<u>1,261</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2021 (2020: Nil).

FINANCIAL REVIEW

For the six months ended 30 September 2021, the revenue of the Group was approximately HK\$202,925,000 (2020: HK\$212,940,000). The cost of sales of the Group for the six months ended 30 September 2021 was approximately HK\$197,374,000 (2020: HK\$209,000,000). The gross profit of the Group for the six months ended 30 September 2021 was approximately HK\$5,551,000 (2020: HK\$3,940,000). Dividend income received by the Group from investment in financial and investment products for the six months ended 30 September 2021 was approximately HK\$437,000 (2020: HK\$353,000). The administrative expenses of the Group for the six months ended 30 September 2021 was approximately HK\$3,871,000 (2020: HK\$3,866,000). The Group recorded an unaudited consolidated profit attributable to owners of the Company of approximately HK\$2,023,000 for the six months ended 30 September 2021 as compared with a loss of approximately HK\$723,000 for the same period of last year. The Board considered that the improvement in the performance of the Group was mainly attributable to the increase in gross profit arising from increase in gross profit margin, decrease in interest expense on CN (under finance costs), and increase in a value-added item of handling fee income (under other income). The Group continues to be in a healthy financial condition with net current assets of approximately HK\$356,010,000 at the end of the reporting period (31 March 2021: HK\$351,252,000).

INVESTMENTS

The Company continues to identify suitable investments in HK stock equity market as well as any industry with high growth potential in PRC. As of 30 September 2021, the Group has investment classified as financial assets at FVTOCI of approximately HK\$53,788,000 (31 March 2021: HK\$55,795,000). In general, the investment strategy will be reviewed and monitored constantly with appropriate actions taken whenever necessary in response to the changes in global economic and market situations.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material acquisition and disposal of subsidiaries and affiliated companies for the six months ended 30 September 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2021, the Group had total current assets of approximately HK\$367,891,000 (31 March 2021: HK\$358,491,000). The management of the Group considers its financial resources to be liquid because approximately 47.80% (31 March 2021: 47.37%) of this total comprised of cash and cash equivalents. The Group's current ratio as at 30 September 2021 was approximately 30.96 times (31 March 2021: 49.52 times), as calculated by taking the ratio of the Group's current assets divided by its current liabilities. The Group's gearing ratio as at 30 September 2021 was approximately 0% (31 March 2021: 0%), as calculated by taking the ratio of the Group's interest-bearing borrowings divided by its equity.

The Group's treasury policies are designed to mitigate the impact of fluctuations in interest and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks and for providing cost-efficient funding to the Group.

CONTINGENT LIABILITIES AND CHARGE ON ASSETS

The Group has no significant contingent liabilities as at 30 September 2021 (31 March 2021: Nil). As at 30 September 2021, the Group did not pledge any asset to financial institution in respect of the due and punctual payment of its obligations (31 March 2021: Nil).

FOREIGN EXCHANGE EXPOSURE

During the period under review, most of the Group's business transactions, assets and liabilities are denominated in HK dollars and Renminbi. The Group's exposure to currency risk is minimal. The Group did not have any derivatives or financial instruments for hedging against the foreign exchange risk (31 March 2021: Nil).

BUSINESS REVIEW AND OUTLOOK

As more Coronavirus Disease 2019 vaccine inoculations were rolled out worldwide, global economy is expected to recover from its trough. Commodity prices, including market price of LNG are expected to rebound. Further, major economies are expected to continue to implement easing economic policies, which will have positive impacts to the price of LNG. In terms of the domestic macro economy, PRC's economy will keep the momentum of stable growth in the long-term and there is ample room for growth in LNG demand.

In the midst of the pandemic along with the opportunities and challenges arising from the development of LNG industry in PRC, the Group implemented the control system to stimulate organizational vitality based on its management-directed focus on “cost reduction and efficiency enhancement, development through transformation”. Looking forward, the Group will not only develop its core business in LNG sector but also to explore new business opportunities in order to create value for shareholders (“**Shareholders**” and each a “**Shareholder**”) of the Company.

SEGMENT INFORMATION

Geographical segments

The geographical location of the Group's financial and investment products can be categorised into PRC and HK. 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 2021. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- (a) Trading of LNG;
- (b) Investment in financial assets;
- (c) General trading (including market sourcing of technical and electronic products); and
- (d) Money lending.

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

EMPLOYEES

As of 30 September 2021, the Group had an aggregate of 18 (2020: 18) full-time employees. Remuneration for the employees of the Group is typically reviewed once a year by the remuneration committee (the “**Remuneration Committee**”) of the Company, or as the management deems appropriate. For the six months ended 30 September 2021, the Group’s staff costs including Directors’ emoluments, employees’ salaries and retirement benefits schemes amounted to approximately HK\$1,747,000 (2020: HK\$2,002,000).

Employees are rewarded on the basis of merit, qualifications, competence and market conditions and in accordance with the statutory requirements of the respective jurisdiction where the employees are located. The Group has not granted any share option to the employees under its existing share option schemes during the period under review (30 September 2020: Nil).

DIRECTOR’S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION

As at 30 September 2021, the interests of the Directors, chief executives of the Company and their associates in the Shares or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”) (Chapter 571, Laws of HK)) which are required (a) 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 (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

Long position in the Shares:

Name of a Director	Capacity	Number of Shares held	Approximate percentage of issued share capital of the Company
Mr. Chen Haining (“ Mr. HN Chen ”)	Held by controlled corporation (<i>Note</i>)	7,141,000	12.12%

Note:

These Shares are registered in the name of Wise Triumph Limited (“**WTL**”), which is wholly-owned by Mr. HN Chen who is deemed to be interested in all the shares in which WTL is interested by virtue of the SFO.

Save as disclosed above, none of the Directors, chief executive of the Company or their associates had or was deemed to have any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations.

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

As at 30 September 2021, the following persons or companies (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions in the underlying shares and Shares

Names of substantial Shareholders	Capacities/ natures of interests	Numbers of underlying shares/ Shares held	Approximate percentages of issued share capital of the Company (Note 4)
Keen Insight Limited (“ KIL ”) (Note 1)	Beneficial owner	8,250,000	14.01%
Hony Capital Group L.P. (“ HCGLP ”) (Note 1)	Interests in controlled corporation	8,250,000	14.01%
Hony Group Management Limited (“ HGML ”) (Note 1)	Interests in controlled corporation	8,250,000	14.01%
Hony Managing Partners Limited (“ HMPL ”) (Note 1)	Interests in controlled corporation	8,250,000	14.01%
Exponential Fortune Group Limited (“ EFGL ”) (Note 1)	Interests in controlled corporation	8,250,000	14.01%
Mr. Zhao John Huan (“ Mr. Zhao ”) (Note 1)	Interests in controlled corporation	8,250,000	14.01%
WTL (Note 2)	Beneficial owner	7,141,000	12.12%
Mark Profit Development Limited (“ MPDL ”) (Note 3)	Beneficial owner	3,585,000	6.09%
Easyknit Properties Holdings Limited (“ EPHL ”) (Note 3)	Interests in controlled corporation	3,585,000	6.09%
Easyknit International Holdings Limited (“ EIHL ”) (Note 3)	Interests in controlled corporation	5,770,000	9.80%

Names of substantial Shareholders	Capacities/ natures of interests	Numbers of underlying shares/ Shares held	Approximate percentages of issued share capital of the Company (Note 4)
Magical Profits Limited (“MPL”) (Note 3)	Interests in controlled corporation	5,770,000	9.80%
Accumulate More Profits Limited (“AMPL”) (Note 3)	Interests in controlled corporation	5,770,000	9.80%
The Winterbotham Trust Company Limited (“TWTCL”) (Note 3)	Interests in controlled corporation	5,770,000	9.80%
The Magical 2000 Trust (“The Magical”) (Note 3)	Interests in controlled corporation	5,770,000	9.80%
Ms. Koon Ho Yan Candy (“Ms. Koon”) (Note 3)	Interests in controlled corporation	5,770,000	9.80%
Winterbotham Holdings Limited (“WHL”) (Note 3)	Interests in controlled corporation	5,770,000	9.80%
Mr. Christopher Geoffrey Douglas Hooper (“Mr. Hooper”) (Note 3)	Interests in controlled corporation	5,770,000	9.80%

Notes:

1. KIL is a wholly-owned subsidiary of HCGLP. HCGLP is a wholly-owned subsidiary of HGML. HGML is owned as to 80% by HMPL, a wholly-owned subsidiary of EFGL. EFGL is held as to 49% by Mr. Zhao, and the remaining 51% is held by two individuals equally.
2. WTL is wholly-owned by Mr. HN Chen.
3. MPDL is a wholly-owned subsidiary of EPHL, which in turn is a wholly-owned subsidiary of EIHL. Glory Link Investment Limited is a wholly-owned subsidiary of Eminence Enterprise Limited (“EEL”), which holds 2,185,000 Shares or approximately 3.71% of issued share capital of the Company. EEL is held as to approximately 52.02%, 17.33%, 2.51% and 2.90% by Ace Winner Investment Limited, Goodco Development Limited and Landmark Profits Limited (those are wholly-owned subsidiaries of EIHL) as well as EIHL respectively. As such, EEL is totally held by EIHL approximately 74.76%. EIHL is held as to approximately 37.49% by MPL, which in turn is a wholly-owned subsidiary of AMPL. AMPL is wholly-owned by TWTCL in its capacity as a trustee of The Magical (beneficiaries include Ms. Koon). TWTCL is held as to 75% by WHL, which in turn is held as to approximately 99.99% by Mr. Hooper. Furthermore, EIHL is held as to approximately 22.40% by Sea Rejoice Limited, which in turn is wholly-owned by Ms. Lui Yuk Chu, the spouse of Mr. Koon Wing Yee.
4. The percentage is based on 58,900,537 issued Shares as at 30 September 2021.

Save as disclosed above, there was no long positions of the other persons and substantial Shareholders in the underlying shares and Shares recorded in the register.

Short positions in the underlying shares and Shares

As at 30 September 2021, no short positions of other persons and substantial Shareholders in the underlying shares of equity derivatives of the Company and Shares were recorded in the register.

As at 30 September 2021, save as disclosed above, the Directors and chief executive of the Company were not aware of any persons or companies (other than the Directors and the chief executive of the Company) who had, or was deemed to have, 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 members 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 fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Associations ("Articles") which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Group has 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 had also made specific enquiry of all Directors, 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 September 2021 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of eighteen, had any rights to subscribe for securities of the Company, or had exercised any such rights during the six months ended 30 September 2021.

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.

COMPETITION AND CONFLICT OF INTERESTS

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules for the six months ended 30 September 2021 except for the following deviation:

1. Code Provision A.2.1 of the CG Code stipulates that the roles of chairman (“**Chairman**”) of the Company and chief executive officer (“**Chief Executive Officer**”) of the Company should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

At present, Mr. HN Chen currently performs these two roles. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership with the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decision promptly and efficiently. The Group considers that, at its present size, there is no imminent need to segregate the roles of Chairman and Chief Executive Officer.

2. Code provision A.4.1 of the CG Code stipulates that 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 (“**Independent**”) non-executive (“**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.

AUDIT COMMITTEE

The Audit Committee has three members comprising three Independent Non-Executive Directors, namely, Mr. Luk Chi Shing (“**Mr. Luk**”) (Chairman of the Audit Committee), Mr. Leung Fu Hang (“**Mr. Leung**”) and Mr. Chen Liang (“**Mr. L Chen**”).

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, risk management, and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and listing requirements.

The Group’s interim results for the six months ended 30 September 2021 have been reviewed by the members of the Audit Committee, who are of the opinion that the preparation of such financial results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Remuneration Committee has three members comprising three Independent Non-Executive Directors, namely, Mr. Leung (Chairman of the Remuneration Committee), Mr. Luk and Mr. L Chen.

The primary duties of the Remuneration Committee, among others, are (i) to make recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve the management’s remuneration proposals with reference to the Board’s corporate goals and objectives; and (iii) to make recommendations to the Board on the remuneration packages of individual executive (“**Executive**”) Directors and senior management.

NOMINATION COMMITTEE

The nomination committee (the “**Nomination Committee**”) of the Company has three members comprising two Independent Non-Executive Directors, namely, Mr. L Chen (Chairman of the Nomination Committee) and Mr. Leung, and one Executive Director, namely, Mr. HN Chen.

The primary duties of the Nomination Committee include, among other things:

- (a) to review director nomination policy and board diversity policy;
- (b) to review the structure, size and composition (including the skills, knowledges and experiences) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s corporate strategies;
- (c) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (d) to assess the independence of Independent Non-Executive Directors; and
- (e) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and/or chief executive of the Company.

By order of the Board

Mr. Chen Haining

Chairman and Chief Executive Officer

Hong Kong, 12 November 2021

As at the date hereof, the Executive Directors are Mr. Chen Haining (Chairman and Chief Executive Officer) and Ms. Tong Jiangxia; and the Independent Non-Executive Directors are Mr. Luk Chi Shing, Mr. Leung Fu Hang and Mr. Chen Liang.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven (7) days from the date of its posting and on the website of the Company at www.chinese-energy.com.