

Chinese Energy Holdings Limited

(Incorporated in Hong Kong with limited liability)

Stock Code : 8009

Second Quarterly Report 2013

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SUMMARY

The Group's unaudited consolidated loss attributable to owners of the Company for the six months ended 30 September 2013 was approximately HK\$13,760,000, as compared to the unaudited consolidated profit attributable to owners of the Company of approximately HK\$115,396,000 for the corresponding six-month period in 2012. 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\$280,933,000 at the end of the reporting period.

BUSINESS REVIEW

During the six months period ended 30 September 2013, 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.

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The turnover for the Group was HK\$0 as compared to approximately HK\$163,058,000 for the corresponding period in 2012. According to the Management Agreement, Shenzhen Careall Capital Investment Co., Ltd. (“**Careall Capital**”) did not generate any profit for the relevant period. Hence, the Company will not receive any management fee income. The Company is now considering to amend the terms of the New Management Agreement such that Careall Capital will pay to 深圳華亞能源有限公司 (“**Shenzhen Huaya**”) a management fee based on a lower percentage of net profits after tax and extraordinary items of Careall Capital, plus a fixed annual management fee. The Board is of the view that such new arrangement of management fee will ensure a stable income for the Group and is in the interests of the Company and its shareholders as a whole. Should the amendment to the Management Agreement is agreed between the parties, the Company will make an announcement in compliance with the GEM Listing Rules if necessary.

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.

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

On 24 May 2013 and 25 August 2013, the board of Directors announced that the Company entered into a side letter with Mr. Shi Yanmin being the Chairman and an executive director of the Company and Mr. Zhao Jiangtao (the “**Proposed Vendors**”). Pursuant to the side letter, the parties mutually agreed to extend the exclusivity period of the MOU in respect of the Proposed Acquisition for an additional period of three months from the date of the side letter, i.e. up to an inclusive of 24 November 2013.

Further details of the MOU are set out in the announcement of the Company dated 24 May 2013 and 25 August 2013.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continues to be in a healthy financial position with current assets totaling approximately HK\$280,933,000 (31 March 2013: approximately HK\$288,486,000). The management of the Group considers its financial resources to be liquid because approximately 30% of this total comprised of bank balances and cash.

The Group’s gearing ratio at 30 September 2013 was 0% (31 March 2013: 0%), as calculated by taking the ratio of the Group’s total interest-bearing borrowings, divided by its shareholders’ funds.

The Group has no borrowings as at 30 September 2013 (31 March 2013: HK\$nil) and no contingent liabilities as at 30 September 2013 (31 March 2013: nil). As at 30 September 2013, the Group did not pledge any asset to a financial institution in respect of the due and punctual payment of its obligations (31 March 2013: HK\$nil).

FOREIGN EXCHANGE EXPOSURE

As of 30 September 2013, most of the Group’s business transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. The Group’s exposure to currency is minimal. The Group did not have any derivatives for hedging against the foreign exchange risk at 30 September 2013.

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 100% (31 March 2013: 100%) the total trade revenue and trade receivables was due from the Group's sole customer in the PRC, Shenzhen Careall Capital Investment Co., Ltd. The Company has received the outstanding amount of HK\$11,002,000 by 17 October 2013.

LIQUIDITY RISK

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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 2013, the Group did not have any long-term financial investments (31 March 2013: 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 2013, the Group's turnover was HK\$0 which was comprised of revenue from management fee income, as compared to a turnover of approximately HK\$163,058,000 for the corresponding six-month period in 2012.

The Group generated a net loss attributable to owners of the Company of approximately HK\$13,760,000 for the six months ended 30 September 2013, as compared to a net profit attributable to owners of the Company of approximately HK\$115,396,000 for the corresponding period in 2012. The gross loss for the period ended 30 September 2013 was approximately HK\$6,580,000 (2012: gross profit of approximately HK\$146,705,000). The Group's administrative expenses was amounted to approximately HK\$7,187,000 (2012: approximately HK\$5,833,000). Such increase is occurred due to the increase in legal and professional fee which related to the potential acquisition project.

COMMENTARY ON SEGMENTAL INFORMATION

Geographical segments

The geographical location of the Group's financial and investment products can be categorised into the PRC 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 two operating divisions during the period ended 30 September 2013. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- (a) Provision of management service; and
- (b) Investments in financial and investment products.

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

EMPLOYEES

As of 30 September 2013, the Group employed 10 staffs (31 March 2013: 11). 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 2013, the total remuneration expenses, including contributions to the Mandatory Provident Fund, were approximately HK\$1,914,000 (2012: approximately HK\$1,562,000).

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 2013 together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2013

	Notes	Three months ended 30 September		Six months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Continuing operations					
Turnover	4	–	163,058	–	163,058
Cost of sales		(3,290)	(8,176)	(6,580)	(16,353)
Gross (loss) profit		(3,290)	154,882	(6,580)	146,705
Other income		7	141	7	141
Gain on redemption of convertible bonds		–	–	–	1,590
Administrative expenses		(4,250)	(3,489)	(7,187)	(5,833)
Finance expenses		–	–	–	(144)
(Loss) profit before taxation	6	(7,533)	151,534	(13,760)	142,459
Taxation	7	–	(40,765)	–	(40,765)
(Loss) profit for the period from continuing operations		(7,533)	110,769	(13,760)	101,694
Discontinued operations					
Profit for the period from discontinued operations	8	–	13,701	–	13,701
(Loss) profit for the period		(7,533)	124,470	(13,760)	115,395
Other comprehensive expense for the period, net of tax Exchange difference arising on translation		(1,021)	(2,431)	(1,021)	(2,431)

	Three months ended 30 September		Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Notes				
Reclassified adjustments relating to foreign operations disposed of during the period	–	(84)	–	(84)
	(1,021)	(2,515)	(1,021)	(2,515)
Total comprehensive (expense) income for the period, net of tax	(8,554)	121,955	(14,781)	112,880
(Loss) profit for the period attributable to:				
Owners of the Company	(7,533)	124,471	(13,760)	115,396
Non-controlling interests	–	(1)	–	(1)
	(7,533)	124,470	(13,760)	115,395
Total comprehensive (expense) income for the period attributable to:				
Owners of the Company	(8,554)	121,956	(14,781)	112,881
Non-controlling interests	–	(1)	–	(1)
	(8,554)	121,955	(14,781)	112,880
(Loss) earnings per share				
From continuing and discontinued operations				
– basic (HK cents)	(0.71)	15.65	(1.30)	14.51
– and diluted (HK cents)	(0.71)	15.65	(1.30)	14.51
From continuing operations				
– basic (HK cents)	(0.71)	13.93	(1.30)	12.79
– and diluted (HK cents)	(0.71)	13.93	(1.30)	12.79

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the six months ended 30 September 2013

	Notes	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		167	406
Intangible asset	12	138,184	144,764
		138,351	145,170
Current assets			
Trade and other receivables	13	19,211	269,498
Loan receivables		18,489	2,888
Bank balances and cash		84,208	16,100
		121,908	288,486
Assets classified as held for sale	10	159,025	–
		280,933	288,486
Current liabilities			
Trade and other payables		1,082	17,356
Income tax payables		–	74,343
		1,082	91,699
Liabilities directly associated with assets classified as held for sale	10	91,026	–
		92,108	91,699
Net current assets		188,825	196,787
Total assets less current liabilities		327,176	341,957
Net assets		327,176	341,957
Capital and reserves			
Share capital	14	105,884	105,884
Reserves		221,292	236,073
Equity attributable to owners of the Company		327,176	341,957
Non-controlling interests		–	–
Total equity		327,176	341,957

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net cash generated from operating activities	84,723	12,642
Net cash (used in) generated from investing activities	(15,594)	3,684
Net cash generated from financing activities	–	1,541
	69,129	17,867
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of period	16,100	4,018
Effect of foreign exchange rate changes	(1,021)	(2,516)
	84,208	19,369
Cash and cash equivalents at end of period		
Analysis of balances of cash and cash equivalents		
Represented by bank balances and cash	84,208	19,369

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Equity attributable to owners of the Company										
	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	Equity component of convertible bonds HK\$'000	Accumulated profits/(losses) HK\$'000	Sub-total HK\$'000	Minority interest HK\$'000	Total HK\$'000
At 1 April 2012	763,251	30,090	3,297	45,918	60,592	58,652	3,362	(526,175)	438,987	(5)	438,982
Total comprehensive income (expenses) for the period	-	-	-	-	-	(2,515)	-	115,396	112,881	(1)	112,880
Transfer to share premium (Note)	(686,926)	686,926	-	-	-	-	-	-	-	-	-
Elimination of accumulated losses as at 31 March 2011 against share premium (Note)	-	(347,644)	-	-	-	-	-	347,644	-	-	-
Issue of shares by placing for cash	14,559	1,344	-	-	-	-	-	-	15,903	-	15,903
Redemption of convertible bonds	-	-	-	-	-	-	(3,362)	-	(3,362)	-	(3,362)
At 30 September 2012	90,884	370,716	3,297	45,918	60,592	56,137	-	(63,135)	564,409	(6)	564,403

	Equity attributable to owners of the Company										
	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	Equity component of convertible bonds HK\$'000	Accumulated profits/(losses) HK\$'000	Sub-total HK\$'000	Minority interest HK\$'000	Total HK\$'000
At 1 April 2013	105,884	381,133	3,297	45,918	60,592	67,114	-	(321,981)	341,957	-	341,957
Total comprehensive expenses for the period	-	-	-	-	-	(1,021)	-	(13,760)	(14,781)	-	(14,781)
At 30 September 2013	105,884	381,133	3,297	45,918	60,592	66,093	-	(335,741)	327,176	-	327,176

Note: Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 12 December 2011 and the subsequent order of the High Court made on 29 May 2012, the amount of approximately HK\$686,926,000 then standing to the credit of the share capital accounts of the Company was reduced in accordance with the provisions of the Hong Kong Companies Ordinance (the "Capital Reorganisation") with effect from 26 June 2012. Out of the credit arising from the Capital Reorganisation, approximately HK\$347,644,000 was applied to eliminate the accumulated losses of the Company as at 31 March 2011 and the remaining balance of approximately HK\$339,282,000 of the credit arising from the Capital Reorganisation was credited to share premium in the accounting records of the Company.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2013

1. GENERAL INFORMATION

The Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in provision of management service, investment in financial and investment products. The addresses of its registered office and principle place of business are Unit 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 the applicable disclosure requirements of GEM Listing Rules and with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are consistent with those adopted in preparing the Group’s annual financial statements for the year ended 31 March 2013.

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the condensed consolidation financial statements 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	
	2013 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000
Management fee income	–	163,058
Dividends from listed available-for-sale investments	–	–
	<u>–</u>	<u>163,058</u>

According to the management agreement, the Careall Capital did not generate any profit for the relevant period. Hence, the Company will not receive any management fee income. In the event that the guaranteed profit during the first relevant period, the second relevant period or the third relevant period is not met, the Careall Capital undertakes to pay to the Group for the shortfall amount of the management fee receivable during the first relevant period, the second relevant period or the third relevant period.

During the period under reviewed, Careall Capital will not undertake any of the amount of the management fee (2012: approximately HK\$163,058,000).

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 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 2013

	Provision of management service		Investment in financial and investment products		Total	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
SEGMENT TURNOVER						
External sales	-	163,058	-	-	-	163,058
Investment income	-	-	-	-	-	-
	<u>-</u>	<u>163,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,058</u>
SEGMENT RESULTS						
	<u>(6,580)</u>	<u>146,705</u>	<u>-</u>	<u>-</u>	<u>(6,580)</u>	<u>146,705</u>
Interest income					7	-
Net unallocated expenses					(7,187)	(4,102)
Finance costs					-	(144)
(Loss) profit before taxation					<u>(13,760)</u>	142,459
Income tax expenses					-	<u>(40,765)</u>
(Loss) profit for the period					<u>(13,760)</u>	<u>101,694</u>

Segment Assets and Liabilities

At 30 September 2013

	Provision of management service		Investment in financial and investment products		Total	
	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
ASSETS						
Segment assets	149,186	395,789	-	-	149,186	395,789
Asset classified as held for sale	159,025	-	-	-	159,025	-
Unallocated segment assets					111,073	37,867
Total assets					419,284	433,656
LIABILITIES						
Segment liabilities	-	16,682	-	-	-	16,682
Liability directly associated with asset classified as held for sale	16,683	-	-	-	16,683	-
Unallocated segment liabilities					75,425	75,017
Total liabilities					92,108	91,699

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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	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
The PRC	–	163,058	138,184	386,297
Hong Kong	–	–	167	697
	–	163,058	138,351	386,994

Information about major customer

Revenue from customer of the corresponding period contributing over 100% of the total revenue of the Group is as follows:

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Customer A	–	163,058

6. (LOSS) PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Staff costs		
Salaries and allowances	1,887	1,537
Net contributions to retirement benefits schemes	27	25
	1,914	1,562
Operating lease charges in respect of rented premises	1,300	1,532
Amortisation of intangible assets	6,580	16,353
Depreciation expense	190	190
Legal and Professional fee	1,763	713

7. TAXATION

	For the three months ended 30 September		For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current Tax				
The PRC	–	40,765	–	40,765
Taxation Attributable to the Group	–	40,765	–	40,765

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

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

8. PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS

Disposal of ceramic sewage materials manufacturing and trading operations

On 9 December 2011, the board of directors announced that the Group entered into the sale and purchase agreement to dispose of 100% equity interest of Plenty One Limited and its subsidiary ("Plenty One"), which engaged in ceramic sewage materials manufacturing and trading operations, to an independent third party at the consideration of HK\$6,500,000. The disposal was completed on 14 August 2012, on which date the Group lost control of Plenty One Limited and its subsidiary.

- (a) The profit up to the date of disposal from the discontinued operations included in the condensed consolidated statement of comprehensive income are analysed as follows:

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	–	–
Cost of sales	–	–
Administrative expenses	–	(4)
Finance cost	–	–
Loss for the period	–	(4)
Gain on disposal of subsidiaries (Note 8(c))	–	13,705
Profit for the period from discontinued	–	13,701

- (b) Cash flows from discontinued operations:

	Six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net cash outflows from operating activities	–	–
Net cash outflows from investing activities	–	–
Net cash outflows from financing activities	–	–
	–	–

(c) The net liabilities of Plenty One at the date of disposal were as follows:

	<u>HK\$'000</u>
Net liabilities disposed of:	
Property, plant and equipment	392
Prepaid lease payments	2,708
Trade and other payables	(3,024)
Income tax payable	(392)
Amount due to a non-controlling shareholder of a subsidiary	(2,726)
Borrowings	(4,297)
Translation reserve released	<u>134</u>
	(7,205)
Gain on disposal of subsidiaries	<u>13,705</u>
Total consideration	<u>6,500</u>
Satisfied by:	
Cash	<u>6,500</u>
Net Cash arising on disposal:	
Total cash consideration received	6,500
Bank balances and cash disposed of	<u>-</u>
	<u>6,500</u>

9. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	For the six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	(13,760)	115,396
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	1,058,841	795,249

From continuing operations

The calculation of basic (loss) earnings per share from continuing operations is based on the following data:

	For the six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
(Loss) earnings for the period attributable to owners of the Company	(13,760)	115,396
Less: Profit for the period from discontinued operation	–	(13,701)
(Loss) profit for the purpose of basic (loss) earnings per share from continuing operations	(13,760)	101,695

The denominators used are the same as those detailed above for basic (loss) earnings per share.

From discontinued operation

Basic earnings per share from discontinued operation is HKNil cents per share (six months ended 30 September 2012: HK1.72 cents per share), based on the profit for the period from discontinued operation of HK\$Nil (six months ended 30 September 2012: HK\$13,701,000) and the denominators detailed above for basic earnings per share.

No diluted loss per share has been presented because the Company has no potential ordinary shares outstanding for both periods.

10. DISPOSAL GROUP 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**").

Supreme Luck is an indirect wholly-owned subsidiary of the Company and, following the Proposed Restructuring (as defined below), will only hold accounts receivable and income tax payables and other tax payables of amounts of HK\$159,025,000 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.

Under the Proposed Restructuring: (i) the Management Agreement would be terminated and a new management agreement would be entered into between Careall Capital and another wholly-owned subsidiary of the Company on substantially the same terms and conditions as the Management Agreement for the remaining term of the Management Agreement; and (ii) accounts receivable of approximately HK\$11,002,000 which received in full by 17 October 2013 would be assigned from Supreme Luck to a wholly-owned subsidiary of the Company other than the subsidiary which would enter into the new management agreement. The Group would therefore continue to provide the management service substantially as before. The Proposed Restructuring was completed on 19 June 2013.

Further details of the Disposal are set out in the announcements of the company dated 20 June and 24 October 2013

11. INTERIM DIVIDEND

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

12. INTANGIBLE ASSET

	Exclusive right HK\$'000
COST	
At 1 April 2012	996,708
Exchange realignment	17,375
	<hr/>
At 31 March 2013, 1 April 2013 and 30 September 2013	1,014,083
	<hr/>
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 April 2012	594,058
Provided for the year	32,713
Impairment loss recognised in the year	233,465
Exchange realignment	9,083
	<hr/>
At 31 March 2013 and 1 April 2013	869,319
Provided for the period	6,580
	<hr/>
At 30 September 2013	875,899
	<hr/>
CARRYING VALUES	
At 30 September 2013 (<i>unaudited</i>)	138,184
	<hr/>
At 31 March 2013 (<i>audited</i>)	144,764
	<hr/>

The intangible asset is amortised on straight-line basis over its estimated useful lives of 15 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 lost in the actual value of the investment in the portfolio (i.e. the companies invested in 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.

The Board is of the view that (i) the Company has already received from Careall Capital that outstanding amount of HK\$11,002,000 account receivables by 17 October 2013 and the Board does not consider that there is any significant delay in receiving the management fee; (ii) the Board has assessed the financial position of the invested companies in the portfolio of Careall Capital and considers that they are all in healthy financial positions as at the date hereof and there is no sign of any significant loss or bankruptcy; (iii) although the profitability of Careall Capital has suffered a downturn during the current period, the Board believes that once the IPO activities grow in PRC, the portfolio will be able to generate positive income for Careall Capital; and (iv) the Board is not aware of any change in business risk and government policy which will have adverse effects to the business of Careall Capital at the moment. The Company is now considering to amend the terms of the New Management Agreement such that Careall Capital will pay to Shenzhen Huaya a management fee based on a lower percentage of net profits after tax and extraordinary items of Careall Capital, plus a fixed annual management fee. The Board is of the view that such new arrangement of management fee will ensure a stable income for the Group and is in the interests of the Company and its shareholders as a whole.

For the six months ended 30 September 2013, the directors of the Company are of the opinion that the recoverable amount exceeds its carrying value and accordingly no write-down on carrying value of intangible asset is considered necessary.

13. TRADE AND OTHER RECEIVABLES

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Trade receivables	11,002	251,026
Prepayments, deposits and other receivables	8,209	18,472
	19,211	269,498

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:

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Current to 180 days	–	–
181 to 365 days	–	171,244
Over 365 days	11,002	79,782
	11,002	251,026

14. SHARE CAPITAL

	Notes	Number of ordinary shares of HK\$0.04 each '000	Number of ordinary shares of HK\$0.004 each '000	Number of ordinary shares of HK\$0.1 each '000	Amount HK\$'000
Authorised					
At 1 April 2012		30,000,000	–	–	1,200,000
Capital reduction	(a)	(30,000,000)	30,000,000	–	(1,080,000)
Share consolidation	(a)	–	(30,000,000)	1,200,000	–
Increase in authorised capital	(b)	–	–	8,800,000	880,000
At 31 March 2013, 1 April 2013 and 30 September 2013		–	–	10,000,000	1,000,000
At 1 April 2012		19,081,275	–	–	763,251
Capital reduction	(a)	(19,081,275)	19,081,275	–	(686,926)
Share consolidation	(a)	–	(19,081,275)	763,251	–
Issue of shares by placing for cash	(c)	–	–	295,590	29,559
At 31 March 2013, 1 April 2013 and 30 September 2013		–	–	1,058,841	105,884

- (a) On 26 June 2012, the special resolution for capital reduction, the confirming order and the minutes in relation thereto were submitted for registration with the Companies Registrar and on 29 June 2012, the Companies Registrar confirmed to the Company that the abovementioned documents were duly registered with effect from 26 June 2012. As a result, the effective date of the capital reduction falls on 26 June 2012 and the par value of each issued share of HK\$0.04 to be reduced to HK\$0.004. The credit arising from such reduction was applied towards cancelling the accumulated deficit of approximately HK\$347,644,000 of the Company with the balance of approximately HK\$339,282,000 to be transferred to the share premium account of the Company. After the capital reduction becoming effective from 26 June 2012, every twenty-five issued shares of HK\$0.004 each was consolidated into one consolidated share of HK\$0.10 each with effect from 12 July 2012.
- (b) On 12 July 2012, the authorised share capital and authorised non-redeemable convertible preference shares have been increased by 8,800,000,000 and 4,200,000,000 new shares of HK\$0.1 each respectively.

- (c) The Company has issued and allotted 145,590,000 new shares of HK\$0.10 each at HK\$0.11 per share and 150,000,000 new shares of HK\$0.10 each at HK\$0.171 by placing on 21 August 2012 and 25 February 2013 respectively.

15. OPERATING LEASE 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:

	30 September 2013 (Unaudited) HK\$'000	31 March 2013 (Audited) HK\$'000
Within one year	1,263	1,378
In the second to fifth year inclusive	1,695	–
	2,958	1,378

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.

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:

	For the six months ended 30 September	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Salaries and allowance	1,635	1,129
Retirement benefits scheme contributions	15	14
	1,650	1,143

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 2013, 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.

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Long positions in ordinary shares of HK\$0.1 each 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 2013, none of the Directors had any interests in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

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

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

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

Note:

1. These shares are registered under a jointly owned account. By virtue of the SFO, both parties were deemed to be interested in the Shares.
2. The percentage is based on 1,058,841,000 issued Shares as at 30 September 2013.

Long positions in underlying shares

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

Short positions in the shares of the Company

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

Short positions in underlying shares

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

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Save as disclosed above, as at 30 September 2013, 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 and Mr. Yue Laiqun. 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 2013 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 2013 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.

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
Shi Yanmin
Chairman

Hong Kong, 13 November 2013

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

Executive Directors

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

Non-executive Director

Ms. Qi Yue

Independent non-executive Directors

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