

Chinese Energy Holdings Limited

Third Quarterly Report 2012

Stock Code : 8009



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

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

SUMMARY

The Group's unaudited consolidated profit attributable to owners of the Company for the nine months ended 31 December 2012 was approximately HK\$105,442,000, as compared to the unaudited consolidated profit attributable to owners of the Company of approximately HK\$24,095,000 for the corresponding nine-month period in 2011. No interim dividend is recommended for the period.

The Group had current assets totalling approximately HK\$268,630,000 at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

During the nine-month period ended 31 December 2012, 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. The turnover for the Group was approximately HK\$163,058,000 as compared to approximately HK\$119,448,000 for the corresponding period in 2011.

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 projects not limited to natural resource with growth potential and also possess the management ability to capture business opportunities.

BUSINESS REVIEW

Placing of New Shares under General Mandate

The Company has entered into a conditional placing agreement with the Placing Agent on 27 December 2012 (after trading hours), under which the Placing Agent will use its best efforts to place up to 150,000,000 Placing Shares to not fewer than six Placees who are Independent Third Parties. The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the then Shareholders passed at the annual general meeting of the Company held on 27 August 2012.

If all of the Placing Shares are placed, they will comprise approximately 14.2% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares pursuant to the Placing. It is expected that no Placee will become a substantial Shareholder (as defined under the GEM Listing Rules) as a result of the Placing.

The Placing Price of HK\$0.171 per Placing Share represents a discount of approximately 15.35% to the closing price of HK\$0.202 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; a discount of approximately 19.34% to the average closing price per Share of approximately HK\$0.212 in the last five consecutive trading days immediately prior to and including the Last Trading Day; a discount of approximately 12.76% to the average closing price per Share of approximately HK\$0.196 in the last ten consecutive trading days immediately prior to and including the Last Trading Day. Details and capitalised terms used in this sections were set out in the Announcement dated 27 December 2012.

The Company has entered into a conditional placing agreement with the Placing Agent on 7 August 2012, under which the Placing Agent will use its best efforts to place up to 145,590,000 Placing Shares to not less than six Placees who are Independent Third Parties. The Placing Shares will be allotted and issued pursuant to the general mandate granted to the Directors by a resolution of the shareholders of the Company passed at the annual general meeting of the Company held on 16 September 2011. If all of the Placing Shares are placed, they will comprise approximately 16.02% of the enlarged issued share capital of the Company. It is expected that no Placee will become a substantial shareholder of the Company (as defined under the GEM Listing Rules) as a result of the Placing.

The Placing Price of HK\$0.11 per Placing Share represents a premium of approximately 3% to the closing price of HK\$0.107 per Share as quoted on the Stock Exchange on 6 August 2012; a premium of approximately 8% to the average closing price per Share of approximately HK\$0.102 in the last five consecutive trading days immediately prior to and including the Last Trading Day; a premium of approximately 3% to the average closing price per Share of approximately HK\$0.107 in the last ten consecutive trading days immediately prior to and including 6 August 2012. Details and capitalised terms used in this sections were set out in the Announcement dated 7 August 2012.

The Disposal of 100% Equity Interest of Plenty One Limited (“Plenty One”)

On 9 December 2011, the Vendor, Shine Gain Holdings Limited, a company incorporated in the British Virgin Islands which is a direct wholly owned subsidiary of the Company entered into the Sale and Purchase Agreement with the Purchaser and in relation to the disposal of 100% equity interest of Plenty One at the consideration of HK\$6,500,000. The conditions precedent of the Sale and Purchase Agreement having been fulfilled, as agreed between the parties to the Sale and Purchase Agreement in writing, the Completion of the Disposal took place on 14 August 2012. Upon Completion, the Consideration of HK\$6,500,000 has been received by the Vendor. Details and capitalized terms used in this sections were set out in the Announcement dated 9 December 2011 and 14 August 2012.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had current assets totalling approximately HK\$268,630,000. The management of the Group considers its financial resources to be liquid because approximately 16% of this total comprised of bank balances and cash.

The Group's gearing ratio at 31 December 2012 was 1.05% (31 March 2012: 3.39%), as calculated by taking the ratio of the Group's total interest-bearing borrowings, divided by its shareholders' funds. The Group has borrowings and convertible bonds as at 31 December 2012 was HK\$5,800,000 (31 March 2012: HK\$14,884,000) and no contingent liabilities as at 31 December 2012 (31 March 2012: nil). As at 31 December 2012, the Group did not pledge any asset to a financial institution in respect of the due and punctual payment of its obligations (31 March 2012: nil).

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 31 December 2012, the Group did not have any long-term financial investments (31 March 2012: 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 nine-month period ended 31 December 2012, the Group's turnover was approximately HK\$163,058,000 which was comprised of revenue from management fee income, as compared to a turnover of approximately HK\$119,448,000 for the corresponding nine-month period in 31 December 2011.

The Group generated a net profit attributable to owners of the Company of approximately HK\$105,442,000 for the nine months ended 31 December 2012, as compared to approximately HK\$24,095,000 for the corresponding period in 2011. The gross profit for the period ended 31 December 2012 was approximately HK\$138,528,000 (2011: approximately HK\$87,543,000). The Group's administrative expenses was amounted to approximately HK\$7,614,000 (2011: approximately HK\$10,875,000).

RESULT

The board of Directors (the "board") presents the unaudited consolidated results of the Group for the three months and the nine months ended 31 December 2012 together with the comparative unaudited figures for the corresponding periods in 2011 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2012

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Continuing operations					
Turnover	3	–	–	163,058	119,448
Cost of sales		(8,176)	(9,324)	(24,530)	(31,905)
Gross profit (loss)		(8,176)	(9,324)	138,528	87,543
Other income		4	–	145	–
Gain on redemption of convertible bonds		–	12,977	1,590	12,977
Impairment loss on intangible asset		–	–	–	(28,342)
Administrative expenses		(1,781)	(2,680)	(7,614)	(10,875)
Finance expenses		–	(1,127)	(144)	(6,886)
Profit (loss) before taxation	4	(9,953)	(154)	132,505	54,417
Taxation	5	–	–	(40,765)	(29,862)
Profit (loss) for the period from continuing operations		(9,953)	(154)	91,740	24,555
Discontinued operations					
Profit (loss) for the period from discontinued operations	7	–	(164)	13,701	(460)
Profit (loss) for the period		(9,953)	(318)	105,441	24,095

	Three months ended		Nine months ended	
	31 December		31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Notes				
Other comprehensive income (expenses) for the period, net of tax				
Exchange difference arising on translation	–	792	(2,649)	792
Reclassified adjustments relating to foreign operations disposed of during the period	–	–	134	–
	–	792	(2,515)	792
Total comprehensive income (expenses) for the period, net of tax	(9,953)	474	102,926	24,887
Profit (loss) for the period attributable to:				
Owners of the Company	(9,953)	(318)	105,442	24,095
Non-controlling interests	–	–	(1)	–
	(9,953)	(318)	105,441	24,095
Total comprehensive income (expense) for the period attributable to:				
Owners of the Company	(9,953)	474	102,927	24,887
Non-controlling interests	–	–	(1)	–
	(9,953)	474	102,926	24,887
Earnings (loss) per shares	8			
From continuing and discontinued operations				
– basic (HK cents)	(1.10)	(0.04)	12.65	3.75
– and diluted (HK cents)	(1.10)	(0.04)	12.65	3.45
From continuing operations				
– basic (HK cents)	(1.10)	(0.02)	11.01	3.82
– and diluted (HK cents)	(1.10)	(0.02)	11.01	3.52

NOTES

1. GENERAL INFORMATION

The Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in provision of management service, investment in financial and investment products. The address of its registered office and principle place of business is Unit 2306B-07, 23/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”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

The financial statements are unaudited, but have been reviewed by the audit committee of the Group.

3. TURNOVER

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

	Three months ended 31 December		Nine months ended 31 December	
	2012 (Unaudited) HK\$’000	2011 (Unaudited) HK\$’000	2012 (Unaudited) HK\$’000	2011 (Unaudited) HK\$’000
Continuing operations				
Management fee income	–	–	163,058	119,448
Dividends from listed available-for-sale investments	–	–	–	–
	–	–	163,058	119,448
Discontinuing operations				
Revenue from manufacture and trading of ceramic sewage materials	–	–	–	–
	–	–	163,058	119,448

4. PROFIT BEFORE TAXATION

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

	Nine months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Staff costs		
Salaries and allowances	2,248	2,808
Net contributions to retirement benefits schemes	39	58
	2,287	2,866
Operating lease charges in respect of rented premises	2,298	1,025
Amortisation of intangible assets	24,530	31,905
Depreciation expense	393	175
Interest income from bank deposits	—	(11)

5. TAXATION

	For the three months ended 31 December		For the nine months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current Tax				
The PRC	—	—	40,765	29,862
Taxation Attributable to the Group	—	—	40,765	29,862

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

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

6. UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2012

	Equity attributable to owners of the Company												
	Non-redeemable convertible						Equity component					Total	
	Share capital HK\$'000	preference share HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Merger reserve HK\$'000	Special capital reserve HK\$'000	Translation reserve HK\$'000	convertible bonds HK\$'000	of Accumulated profits/(losses) HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000		
													(Note b)
At 1 April 2011	477,403	285,848	40,095	3,297	45,918	50,587	40,258	63,034	(400,688)	438,987	27	605,779	
Total comprehensive income (expenses) for the period	-	-	-	-	-	-	792	-	24,095	24,887	-	24,887	
Conversion of non-redeemable Preference shares (Note c)	285,848	(285,848)	(10,005)	-	-	10,005	-	-	-	-	-	-	
Redemption of convertible bonds	-	-	-	-	-	-	-	(39,922)	-	(39,922)	-	(39,922)	
At 31 December 2011	763,251	-	30,090	3,297	45,918	60,592	41,050	23,112	(376,593)	564,409	27	590,744	

	Equity attributable to owners of the Company												
	Non-redeemable convertible						Equity component					Total	
	Share capital HK\$'000	preference share HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Merger reserve HK\$'000	Special capital reserve HK\$'000	Translation reserve HK\$'000	convertible bonds HK\$'000	of Accumulated profits/(losses) HK\$'000	Sub-total HK\$'000	Non-controlling interest HK\$'000		
													(Note b)
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)	-	105,442	102,927	(1)	102,926	
Transfer to share premium (Note d)	(686,926)	-	686,926	-	-	-	-	-	-	-	-	-	
Elimination of accumulated losses as at 31 March 2011 against share premium (Note d)	-	-	(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 31 December 2012	90,884	-	370,716	3,297	45,918	60,592	56,137	-	(73,089)	554,455	(6)	554,449	

6. UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

Notes:

- (a) Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 22 July 2005 and the subsequent order of the High Court of Hong Kong (the “**High Court**”) made on 13 December 2005, the entire amount of HK\$207,130,000 then standing to the credit of the share premium accounts of the Company was cancelled in accordance with the provisions of the Hong Kong Companies Ordinance (the “**Capital Reduction**”). Out of the credit arising from the Capital Reduction, HK\$146,538,000 was applied to eliminate the accumulated losses of the Company as at 31 March 2005 and the remaining balance of HK\$60,592,000 of the credit arising from the Capital Reduction was credited to a special capital reserve in the accounting records of the Company.
- (b) The merger reserve of the Group represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the Company's shares issued as consideration for the acquisition in March 2000 less the premium arising on repurchase of shares and the amount transferred to the capital redemption reserve.
- (c) On 23 October 2009, the Company issued approximately 2,938,478,000 non-redeemable convertible preference shares with a par value of HK\$0.2 each, as a partial consideration for the acquisition of an intangible asset through acquisition of a subsidiary. The fair value of the convertible preference shares as at 23 October 2009 amounted to approximately HK\$567,126,000, representing HK\$0.193 per convertible preference share. The discount of approximately HK\$20,570,000, which represented the difference between the fair value of the non-redeemable convertible preference shares as of 23 October 2009 and the par value, is charged to the special capital reserve of the Company.
- (d) 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 Capital Reorganisation was credited to share premium in the accounting records of the Company.

7. PROFIT (LOSS) 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.

7. PROFIT (LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS (Continued)

The result of Plenty One for the nine months and three months period ended 31 December 2012, which have been included in the unaudited condensed consolidated statement of comprehensive income, are as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	-	-	-	-
Cost of sales	-	-	-	-
Administrative expenses	-	(58)	(4)	(142)
Finance cost	-	(106)	-	(318)
Loss for the period	-	(164)	(4)	(460)
Gain on disposal of subsidiaries	-	-	13,705	-
Profit (loss) for the period from discontinued	-	(164)	13,701	(460)

8. EARNINGS (LOSS) PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Earnings (loss) from continuing and discontinued operations				
Earnings (loss) for the purpose of basic earnings (loss) per share				
Profit (loss) for the period attributable to owners of the Company	(9,953)	(318)	105,442	24,095
Earnings (loss) from continuing operations				
Earnings (loss) for the purpose of basic earnings (loss) per share				
Profit (loss) for the period attributable to owners of the Company	(9,953)	(154)	91,740	24,555

8. EARNINGS (LOSS) PER SHARE (Continued)

	Three months ended 31 December		Nine months ended 31 December	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
	Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	908,841	763,251	833,389	642,754
Effect of dilutive potential ordinary shares:				
Convertible bonds	–	55,000	–	55,000
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	908,841	818,251	833,389	697,754

From discontinued operations

Basic earnings per share for the discontinued operations is HK1.64 cents per share (for nine months ended 31 December 2011: basic loss per share is HK0.07 cents).

The diluted earnings per share for the discontinued operations is not presented because there were no potential dilutive shares during the nine months ended 31 December 2012. The diluted loss per share is same as the basic loss per share for the discontinued operations as the dilutive potential ordinary shares were anti-dilutive for nine months ended 31 December 2011.

9. INTERIM DIVIDEND

The Directors do not recommend the payment of dividend for the nine months ended 31 December 2012 (2011: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2012, neither of the Directors nor the Chief Executive of the Company had interests and short positions in the shares of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571, Laws of Hong Kong)) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

Long positions in ordinary shares of 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 31 December 2012, 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 31 December 2012, 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
Bonus Raider Investments Limited	Beneficial owner	74,244,700	8.17%
China Water Industry Group Limited (Note)	Interest of a controlled corporation	74,244,700	8.17%

Note: These shares are registered in the name of Bonus Raider Investments Limited, which is a wholly-owned subsidiary of China Water Industry Group Limited.

Long positions in underlying shares

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

Short positions in the shares of the Company

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

Short positions in underlying shares

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

Save as disclosed above, at 31 December 2012, the Directors were not aware of any other person who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

AUDIT COMMITTEE

The Company has 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 announcement, the Audit Committee has 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 third quarterly results for the nine months ended 31 December 2012 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.

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 REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' dealing in securities of the Company. The Company's Directors have complied with such code of conduct and the required standard of dealings.

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, 5 February 2013

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

Executive Directors

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

Non-executive Director

Ms. Qi Yue

Independent non-executive Directors

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