

Chinese Energy Holdings Limited

(Incorporated in Hong Kong with limited liability)
Stock Code : 8009

Third Quarterly Report

2014

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 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 condensed consolidated profit attributable to owners of the Company for the nine months ended 31 December 2014 was approximately HK\$4,143,000, as compared to the unaudited condensed consolidated loss attributable to owners of the Company of approximately HK\$19,818,000 for the corresponding nine-month period in 2013. No interim dividend is recommended for the period. The Group had current assets totaling approximately HK\$304,349,000 at the end of the reporting period.

BUSINESS REVIEW

MANAGEMENT DISCUSSION AND ANALYSIS

During the nine-month period ended 31 December 2014, the principal activities of the Company together with its subsidiaries (collectively the “**Group**”) were engaged in provision of management service, investment in financial and investment products, import and export trading of oil and gas related products and technical advisory and marketing consultation services.

The turnover for the Group was approximately HK\$256,700,000 as compared to approximately HK\$5,286,000 for the corresponding period in 2013. According to the Amended New Management Agreement, Shenzhen Careall Capital Investment Co., Ltd.* (“**Careall Capital**”) will pay a fixed management fee of RMB10,000,000 for the period ended 31 August 2014 as compared to no profit generated nor fixed management fee from the previous relevant period. Hence, the Company did not receive any management fee income for the last corresponding period in 2013. The Company has financial assets designated as held for trading in shares of companies listed on the Hong Kong Stock Exchange with a realised loss of approximately HK\$1,984,000 and an unrealised gain of approximately HK\$3,643,000 for the period under review. No interest nor dividend income were received during the period under review. The other turnover comes from the newly developed segment of import and export trading of oil and gas related products segment and technical advisory and marketing consultation services.

We continue our objective of enhancing the value of the Company's shares. We will cautiously make use of excess funds on investments in Hong Kong equity market. The investment strategy is reviewed and monitored frequently and we will take appropriate actions whenever necessary in response to the changes in fundamental market situation. With adequate funds on hand, we will also continue to identify projects not limited to natural resources with growth potential and also possess the management ability to capture business opportunities.

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

TERMINATION OF ACQUISITION AGREEMENT

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

AMENDMENT OF NEW MANAGEMENT AGREEMENT

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

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

PLACING OF NEW SHARES UNDER GENERAL MANDATE

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

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

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

On 1 August 2014, the Company announced that it proposed to raise approximately HK\$63.5 million before expenses by issuing 635,300,500 Offer Shares at the Subscription Price of HK\$0.10 per Offer Share on the basis of one (1) Offer Share for every two (2) existing Shares held on the Record Date and payable in full upon application. On 15 August 2014, the Placing was completed and a total of 211,760,000 new Shares were placed out under the Placing. Accordingly the issued share capital of the Company as at the date after the issue of the placing shares is 1,270,601,000 Shares.

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

Change of board lot size

Prior to 19 August 2014, the Shares were traded in board lots of 10,000 Shares. In order to increase the value of each board lot of the Shares, as well as to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposed to change the board lot size for trading of the Shares from 10,000 Shares to 20,000 Shares with effect from 19 August 2014.

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

THE EQUITY TRANSFER OF THE ENTIRE EQUITY INTEREST IN SHENZHEN FUHUI COMMERCIAL FACTORING COMPANY LIMITED ("SHENZHEN FUHUI")

On 17 November 2014, the Purchaser, Shenzhen Hua Ya Energy Company Limited, a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company, and the Vendor, Shenzhen Qianhai Huiling Asset Management Company Limited, entered into the Equity Transfer Agreement, pursuant to which, the Purchaser has agreed to acquire and the Vendor has agreed to sell, the Sale Interest, representing the entire registered capital of the Shenzhen Fuhui at the Consideration of RMB50,000,001 (equivalent to approximately HK\$63,500,001.27, comprising the payment of RMB1 (equivalent to approximately HK\$1.27) in cash and the assumption of the obligation to make capital contribution of RMB50 million (equivalent to approximately HK\$63,500,000)). The Equity Transfer will allow the Company to tap into the factoring market in the PRC. The Directors consider that the Equity Transfer will provide new momentum to the Group's future development through diversification of its business. For details please refer to the announcement of the Company dated 17 November 2014.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 13 January 2015 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, whereby the Company agreed to place through the Placing Agent, 254,120,000 Placing Shares to currently expected not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties at the Placing Price of HK\$0.12 per Placing Share. For details please refer to the announcement of the Company dated 13 January and 29 January 2015.

USE OF PROCEEDS

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

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Actual use of proceeds (approximately)
1 August 2014	Placing of 211,760,000 new Shares under general mandate	Approximately HK\$37.1 million is intended to be used for the Group's investment purposes and general working capital	Approximately HK\$37.1 million was used for investment purposes and general working capital of the Group
	Open Offer on the basis of one Offer Share for every two held	Approximately HK\$61.4 million as to 33% for capital investment and 67% investing in oil and gas exploration business	Approximately HK\$20 million was used in capital investment and HK\$40.1 million was used in oil and gas trading business
13 January 2015 (After reporting period)	Placing of 254,120,000 new Shares under general mandate	Approximately HK\$29.6 million is intended to be used for the Group's investment purposes and general working capital	Approximately HK\$29.6 million in bank and intended to be used for the Group's investment purposes and general working capital

As at 31 December 2014, the Company applied the proceeds from the Placing and Open Offer, which in aggregate amounts to approximately HK\$98.5 million, as to approximately HK\$49.2 million was used for capital investment in Shenzhen Hua Ya Energy Company Limited (“**Shenzhen Huaya**”) and approximately HK\$40.1 million was used in oil and gas trading business. The reasons for the capital investment in Shenzhen Huaya is that its registered capital is currently only RMB1,000,000 and in order to demonstrate to the regulatory authorities in the PRC that Shenzhen Huaya has the necessary capital to expand its business in the future, the Board decided to inject capital from the proceeds of the Open Offer into Shenzhen Huaya so as to establish to the regulatory authorities in the PRC and potential investors that Shenzhen Huaya has adequate capital readily available for any investment opportunities which may arise from time to time. Currently, the Board intends to invest via Shenzhen Huaya in energy sourcing and/or import and export trading of oil and gas related business in the PRC as well as capital for Shenzhen Fuhui.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had current assets totaling approximately HK\$304,349,000 (31 March 2014: approximately HK\$268,571,000). The management of the Group considers its financial resources to be liquid because approximately 7.58% of this total comprised of bank balances and cash. The Group's gearing ratio at 31 December 2014 was 0% (31 March 2014: 0%), as calculated by taking the ratio of the Group's total interest-bearing borrowings, divided by its shareholders' funds.

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

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 2014, the Group has long-term financial investments approximately HK\$16,534,000 (31 March 2014: HK\$14,766,000) being the participation interest of the oil well in USA. The Company has financial assets designated as held for trading in shares of companies listed on the Hong Kong Stock Exchange. 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-months period ended 31 December 2014, the Group's turnover was approximately HK\$256,700,000 which was comprised of revenue generated from management fee income, import and export trading of oil and gas related products and provision of technical advisory and market consultation services activity, as compared to a turnover of approximately HK\$5,286,000 for the corresponding nine-month period in 31 December 2013. No interest nor dividend income were received from investment in financial and investment products for the period under review (2013: HK\$ Nil).

The Group generated a net profit attributable to owners of the Company of approximately HK\$4,143,000 for the nine months ended 31 December 2014, as compared to net loss attributable to owners of the Company approximately HK\$19,818,000 for the corresponding period in 2013. The gross profit for the period ended 31 December 2014 was approximately HK\$15,631,000 (2013: gross loss of approximately HK\$9,341,000). The Group's administrative expenses was amounted to approximately HK\$13,783,000 (2013: approximately HK\$10,475,000).

RESULTS

The board of Directors (the “Board”) presents the unaudited condensed consolidated results of the Group for the three months and the nine months ended 31 December 2014 together with the comparative unaudited figures for the corresponding periods in 2013 as follows:

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2014

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover	3	163,241	5,286	256,700	5,286
Cost of sales		(156,576)	(8,047)	(241,069)	(14,627)
Gross profit (loss)		6,665	(2,761)	15,631	(9,341)
Other income		907	3	2,282	10
Net realised loss on financial assets designated as held for trading		(1,984)	–	(1,984)	–
Net unrealised gain on financial assets designated as held for trading		934	–	3,643	–
Administrative expenses		(6,734)	(3,288)	(13,783)	(10,475)
(Loss) profit before taxation	4	(212)	(6,046)	5,789	(19,806)
Taxation	5	(1,646)	(12)	(1,646)	(12)
(Loss) profit for the period, attributable to owners of the Company		(1,858)	(6,058)	4,143	(19,818)
Other comprehensive (expenses) income for the period, net of tax					
Items that may be reclassified subsequently to profit and loss:					
Exchange difference arising on translation		(140)	1,091	(141)	71
		(140)	1,091	(141)	71
Total comprehensive (expenses) income for the period, attributable to owners of the Company, net of tax		(1,998)	(4,967)	4,002	(19,747)
(Loss) earnings per share	7		(restated)		(restated)
– basic (HK cents)		(0.10)	(0.46)	0.27	(1.51)
– diluted (HK cents)		(0.10)	(0.46)	0.27	(1.51)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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, import and export trading of oil and gas related products and technical advisory and market consultation services. The addresses of its registered office and principle place of business are Unit 2207, 22/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with 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	
	2014 (Unaudited) HK\$’000	2013 (Unaudited) HK\$’000	2014 (Unaudited) HK\$’000	2013 (Unaudited) HK\$’000
Continuing operations				
Management fee income	–	–	11,740	–
Import and export trading of oil and gas related products	39,552	–	120,092	–
Technical advisory and market consultation services	123,689	5,286	124,868	5,286
	163,241	5,286	256,700	5,286

4. (LOSS) PROFIT BEFORE TAXATION

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

	Nine months ended 31 December	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Staff costs		
Salaries and allowances	2,528	2,930
Net contributions to retirement benefits schemes	51	40
	2,579	2,970
Operating lease charges in respect of rented premises	1,267	1,606
Amortisation of intangible assets	7,582	9,870
Depreciation of property, plant and equipment	49	769
Legal and professional fee	2,526	1,976

5. TAXATION

	For the three months ended 31 December		For the nine months ended 31 December	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current Tax				
The PRC	1,646	(12)	1,646	(12)
Taxation attributable to the Group	1,646	(12)	1,646	(12)

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

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

6. MOVEMENT OF RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Merger reserve HK\$'000	Special capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2013	381,133	3,297	45,918	60,592	67,114	(321,981)	236,073
Total comprehensive income (expenses) for the period	-	-	-	-	71	(19,818)	(19,747)
At 31 December 2013	381,133	3,297	45,918	60,592	67,185	(341,799)	216,326

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Merger reserve HK\$'000	Special capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2014	-	-	45,918	-	66,355	(380,906)	(268,633)
Total comprehensive (expenses) income for the period	-	-	-	-	(141)	4,143	4,002
At 31 December 2014	-	-	45,918	-	66,214	(376,763)	(264,631)

7. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings 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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
(Loss) profit				
(Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	(1,858)	(6,058)	4,143	(19,818)
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	1,876,714	(restated) 1,311,584	1,544,267	(restated) 1,311,584

The weighted average number of shares for the purpose of calculating basic loss per share for the nine months ended 31 December 2013 has been retrospectively adjusted in connection to the Open Offer completed on 9 October 2014.

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

8. INTERIM DIVIDEND

The Directors do not recommend the payment of dividend for the nine months ended 31 December 2014 (2013: Nil).

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 31 December 2014, neither of the Directors nor the Chief Executive of the Company had interests or short positions in the shares of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) (Chapter 571, Laws of Hong Kong)) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 to 5.67 of the GEM Listing Rules.

Long positions in ordinary shares of the Company (the “Shares”)

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

Long positions in the shares of associated corporation

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

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

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

Long positions in debentures

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

Short positions in the shares of the Company

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

Short positions in underlying shares

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

Short positions in debentures

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

At 31 December 2014, none of the Directors had any interests in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 31 December 2014, no persons (other than the interests disclosed above in respect of certain Directors or Chief Executives of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the shares of the Company

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

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.

As at 31 December 2014, the Directors and Chief Executive of the Company are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any persons (not being a Director) have interests or short positions in the shares or underlying shares of the Company which would full to be disclosed to the Company under the provisions in Divisions 2 and 3 of Part XV of the SFO.

AUDIT COMMITTEE

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has an audit committee ("**Audit Committee**") which was established with written terms of reference in compliance with the GEM Listing Rules. As at the date of this report, the Audit Committee had three members comprising the three independent non-executive Directors, namely Mr. Lam Tze Chung (Chairman of the Audit Committee), Mr. Wu Ka Ho Stanley, Mr. Yue Laiqun (resigned on 1 September 2014) and Mr. Qian Fengjun (appointed on 1 September 2014). The primary duties of the Audit Committee are to review the financial information of the Group and supervise the financial reporting process and internal control procedures of the Group. The Group's third quarterly results for the nine months ended 31 December 2014 have been reviewed by the members of the Audit Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange listing requirements and legal requirements and that adequate disclosures have been made.

PRE-EMPTIVE RIGHTS

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

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 31 December 2014 he or she had fully complied with the required standard of dealings and there was no event of non-compliance.

COMPETING INTERESTS

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

Appointment term of non-executive Directors

Under code provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term, subject to re-election while all Directors should be subject to retirement by rotation at least once every three years. All independent non-executive Directors were not appointed for a specific term but they are subject to retirement by rotation and re-election at annual general meetings of the Company in line with the Articles. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

By Order of the Board
Chinese Energy Holdings Limited
Tang Jing
Chairman

Hong Kong, 6 February 2015

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

Executive Directors

Ms. Tang Jing

Mr. Yau Yan Ming Raymond

Mr. Zha Jian Ping

Mr. Lu Lin Yu

Non-executive Director

Ms. Qi Yue

Independent non-executive Directors

Mr. Lam Tze Chung

Mr. Wu Ka Ho Stanley

Mr. Qian Fengjun