

Chinese Energy Holdings Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 8009

First Quarterly Report

2015

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

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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 for the three months ended 30 June 2015 was approximately HK\$17,815,000, as compared to the unaudited condensed consolidated loss of approximately HK\$4,984,000 of the Group for corresponding period in 2014. No dividend is recommended for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in provision of management services, investment in financial assets, general trading and provision of factoring services. The profit for the period mainly arised from the gross profits, other income of reversal of impairment loss of loan receivable in previous year, disposal and revaluation of financial assets at fair value through profit or loss ("FVTPL"). The cost of sale for the period was approximately HK\$130,825,000. The administrative expenses for the period was approximately HK\$6,377,000.

Share Consolidation and Open Offer

Share Consolidation

On 22 June 2015, the Company implements the Share Consolidation of every two issued Shares in the share capital of the Company into one Consolidated Share each. The proposed Share Consolidation will reduce the total number of Shares currently in issue. It is expected to bring about a corresponding upward adjustment in the trading price of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction costs. Accordingly, the Directors are of the view that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

Open Offer

Subject to the Share Consolidation becoming effective, the Company intended to raise approximately HK\$162 million, before expenses, by way of an Open Offer of 1,080,010,750 Offer Shares, at the Subscription Price of HK\$0.15 per Offer Share on the basis of one Offer Share for every one Consolidated Share in issue on the Record Date. The Open Offer will be available only to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

Based on 1,080,010,750 Offer Shares, the estimated net proceeds from the Open Offer will be approximately HK\$156.9 million. The Company intends to use the net proceeds for future investment in trading of liquefied natural gas business and for general working capital use of the Group.

The Open Offer is fully underwritten by the Underwriter which shall ensure that the Company will maintain the minimum public float requirement in compliance with Rule 11.23 of the GEM Listing Rules. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite, on a fully underwritten basis, the Offer Shares subject to the terms and conditions of the Underwriting Agreement.

On Monday, 27 July 2015, at 4:00 p.m., being the latest time and date for acceptance of and payment for the Offer Shares, 12 valid acceptances of the assured entitlement have been received for a total of 369,893,809 Offer Shares, which represent approximately 34.25% of the total 1,080,010,750 Offer Shares offered under the Open Offer. The Open Offer was under-subscribed by 710,116,941 Offer Shares, representing approximately 65.75% of the total number of Offer Shares available for subscription under the Open Offer. In accordance with the terms of the Underwriting Agreement, the Underwriter, Kingston Securities Limited, has subscribed for 710,116,941 Offer Shares, which has not been taken up by the Qualifying Shareholders.

For details and capitalised terms, please refer to the announcement of the Company dated 24 March 2015, 19 June 2015, 5 August 2015, the circular of the Company dated 2 June 2015 and the prospectus of the Company dated 13 July 2015.

FINANCIAL REVIEW

The Group recorded a net profit attributable to owners of the Company of approximately HK\$17,815,000 for the three months ended 30 June 2015, as compared to a net loss of approximately HK\$4,984,000 for the corresponding period in 2014. As at 30 June 2015, the Group holds current assets totaling approximately HK\$379,051,000 and has HK\$ Nil of bank borrowings. For the three months ended 30 June 2015, the Group's turnover was HK\$139,324,000 as compared to a turnover of HK\$ Nil for the corresponding period in 2014.

Provision of management services

An annual fee relating to the provision of management services to Shenzhen Careall Capital Investment Co., Ltd.* (“**Careall Capital**”) will be receivable after 31 August 2015 amounting RMB10,000,000. The Company has recorded a turnover of approximately HK\$2,971,000 for the period under review under this segment.

The relevant period will end at 31 August 2015 and audit work will be performed subsequently. The Management will closely monitor the performance of Careall Capital.

Investment in financial assets

HK\$ Nil turnover was generated from investment in financial assets during the period under review and HK\$ Nil for the corresponding period in 2014.

General Trading

Turnover of approximately HK\$135,724,000 was generated from general trading during the period under review and HK\$ Nil for the corresponding period in 2014.

Provision of Factoring Services

Turnover of approximately HK\$629,000 was generated from provision of factoring services during the period under review and HK\$ Nil for the corresponding period in 2014.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had current assets totaling approximately HK\$379,051,000 (31 March 2015: approximately HK\$337,431,000). The management of the Group considers its financial resources to be liquid because approximately 4.81% of this total comprised of bank balances and cash. The Group's current ratio at 30 June 2015 was 17.36. The Group's gearing ratio at 30 June 2015 was 0% (31 March 2015: 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 June 2015 (31 March 2015: HK\$ Nil) and no contingent liabilities as at 30 June 2015 (31 March 2015: HK\$ Nil). As at 30 June 2015, the Group did not pledge any asset to a financial institution in respect of the due and punctual payment of its obligations (31 March 2015: HK\$ Nil).

* *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.*

INVESTMENTS

The Group 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 June 2015, the Group has nil long-term financial investments (31 March 2015: HK\$5,304,000) after the cancellation of the participation interest of the oil well in USA. The Group has financial assets at fair value through profit or loss of approximately HK\$147,212,000 (31 March 2015: HK\$100,158,000). 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 three-months period ended 30 June 2015, the Group's turnover was approximately HK\$139,324,000 which was comprised of revenue generated from management fee income, general trading and provision of factoring service, as compared to a turnover of approximately HK\$ Nil for the corresponding three-month period ended 30 June 2014. No interest nor dividend income were received from investment in financial and investment products for the period under review (2014: HK\$ Nil). The Group generated a net profit attributable to owners of the Company of approximately HK\$17,815,000 for the three months ended 30 June 2015, as compared to net loss attributable to owners of the Company approximately HK\$4,984,000 for the corresponding period in 2014. The gross profit for the period ended 30 June 2015 was approximately HK\$8,499,000 (2014: gross loss of approximately HK\$2,527,000). The Group's administrative expenses was amounted to approximately HK\$6,377,000 (2014: approximately HK\$2,457,000). The Group also had an other gain of approximately HK\$13,484,000 which arised from realized gain on disposal and unrealised gain on revaluation of financial assets at fair value through profit and loss. Other income of approximately HK\$4,000,000 from reversal of impairment loss of loan receivable in pervious year.

Use of Proceeds

Date of announcement	Fund raising activities	Net proceeds raised and intended use of proceeds	Actual use of proceeds as at 30 June 2015
13 January 2015	Placing of new shares under general mandate	Approximately HK\$29.6 million is intended to be used for the Group's future investment purposes and general working capital	Approximately HK\$29 million was used for investment in securities; and the remaining of approximately HK\$0.6 million was placed at an account pending for intended use
1 August 2014	(1) Placing of 211,760,000 new shares under general mandate	<p>Approximately HK\$37.1 million as to:</p> <p>(a) approximately HK\$19.7 million for the Group's general working capital; and</p> <p>(b) approximately HK\$17.4 million for investing in oil and gas exploration business.</p>	<p>(a) Approximately HK\$19.7 million was used for general working capital, which was allocated as to HK\$10 million for investment in securities and approximately HK\$9.7 million for investment in financial products; and</p> <p>(b) approximately HK\$17.4 million remained unused and will be used for import and export trading of oil and gas related products business.</p>
	(2) Open offer on the basis of one offer share for every two shares held	<p>Approximately HK\$61.4 million as to</p> <p>(a) approximately 33% (equivalent to approximately HK\$20.3 million) for capital investment in Shenzhen Hua Ya Energy Company Limited ("Shenzhen Hua Ya"); and</p> <p>(b) approximately 67% (equivalent to approximately HK\$41.1 million) investing in oil and gas exploration business.^{Note}</p>	<p>(a) Approximately HK\$21.3 million was used in capital investment for commercial factoring business; and</p> <p>(b) HK\$40.1 million was used for import and export trading of oil and gas related products business.^{Note}</p>

Note:

As set out in the prospectus of the Company dated 12 September 2014, the Company elaborated that the intended use of proceeds from the open offer of approximately HK\$61.4 million would be used as to: (a) approximately HK\$20.3 million for capital injection in Shenzhen Hua Ya to expand its business in the PRC; and (b) approximately HK\$41.1 million in oil and gas exploration business. Subsequently, as the Company has identified another business opportunity in the commercial factoring business, to which the Board considered it with more potential and was more beneficial to the Shareholders and Company as a whole, the Company therefore decided to apply the net proceeds that were originally allocated to Shenzhen Hua Ya to the commercial factoring business. Hence, the actual use of proceeds of the open offer is slightly different than that of its original plan in this regard. Shareholders and potential investors are recommended to read the announcement of the Company dated 1 August 2014, together with the prospectus of the Company dated 12 September 2014, for details of use of proceeds in relation to the placing and open offer as detailed in the announcement of the Company dated 1 August 2014.

RESULTS

The board of Directors (the “**Board**”) presents the unaudited condensed consolidated results of the Group for the three months ended 30 June 2015 together with the comparative unaudited figures for the corresponding period in 2014 as follows:

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

For the three months ended 30 June 2015

	Notes	Three months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Turnover	3	139,324	–
Cost of sale		(130,825)	(2,527)
Gross profit (loss)		8,499	(2,527)
Other income	5	4,033	–
Other gains	6	13,484	–
Administrative expenses		(6,377)	(2,457)
Profit (loss) before taxation	4	19,639	(4,984)
Income tax expense	7	(1,824)	–
Profit (loss) for the period and attributable to owners of the Company		17,815	(4,984)
Other comprehensive income for the period, net of income tax		1,952	–
Total comprehensive income (expense) for the period and attributable to owners of the Company		19,767	(4,984)
Earnings (loss) per share (HK cents)	8		
Basic		0.69	(0.23)
Diluted		0.69	(0.23)

Notes

1. GENERAL INFORMATION

The Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in provision of management services, investment in financial assets, general trading and provision of factoring 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 on the historical cost basis except for certain financial instruments which are measured at fair values.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the condensed consolidated financial statements include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The condensed consolidated 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 30 June	
	2015 HK\$’000 (Unaudited)	2014 HK\$’000 (Unaudited)
Management fee income after PRC business tax and levies	2,971	–
Sales of goods in general trading	135,724	–
Handling fee income from factoring services	629	–
	139,324	–

4. PROFIT (LOSS) BEFORE TAXATION

	Three months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period has been arrived at after charging:		
Staff costs (including directors' emoluments)		
Salaries and allowances	781	899
Retirement benefits scheme contributions	21	16
	802	915
Amortisation of intangible asset (included in cost of sale)	1,938	2,527
Depreciation of property, plant and equipment	16	15
Operating lease charges in respect of rented premises	422	422

5. OTHER INCOME

	Three months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Reversal of impairment loss of loan receivable in previous year	4,000	–
Interest income	33	–
	4,033	–

6. OTHER GAINS

	Three months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Net gain arising on revaluation of financial assets at FVTPL	5,119	–
Net realized gain on disposal of financial assets at FVTPL	8,365	–
	13,484	–

7. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. No provision for Hong Kong Profits Tax had been made as the Group did not generate any assessable profits in Hong Kong for both periods.

Under the Law of the PRC on Enterprise Income Tax (“**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both period.

Taxation for other entities of the Group is charged at their respective applicable income tax rates ruling in the relevant jurisdictions.

8. EARNINGS (LOSS) PER SHARE

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

	Three months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Earnings (loss)		
Earnings (loss) for the purpose of basic earning (loss) per share (Profit (loss) for the period attributable to owners of the Company)	17,815	(4,984)
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of basic earning (loss) per share (2014: restated to reflect the effect of open offer in October 2014 and August 2015)	2,577,462	2,133,805

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

9. DIVIDEND

The Directors do not recommend the payment of dividend for the three months ended 30 June 2015 (2014: Nil).

10. MOVEMENT OF RESERVES

Equity attributable to owners of the Company

	Equity component										
	Share premium	Capital redemption reserve	Merger reserve	Special capital reserve	Translation reserve	Investment revaluation reserve	Equity component of convertible bonds	Accumulated losses	Sub-total	Non-controlling interest	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 April 2014	-	-	45,918	-	66,355	(149)	-	(380,906)	(268,782)	-	(268,782)
Total comprehensive expense for the period	-	-	-	-	-	-	-	(4,984)	(4,984)	-	(4,984)
At 30 June 2014	-	-	45,918	-	66,355	(149)	-	(385,890)	(273,766)	-	(273,766)
At 1 April 2015	-	-	45,918	-	67,933	(1,921)	-	(388,300)	(276,370)	-	(276,370)
Total comprehensive income for the period	-	-	-	-	31	1,921	-	17,815	19,767	-	19,767
At 30 June 2015	-	-	45,918	-	67,964	-	-	(370,485)	(256,603)	-	(256,603)

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

As at 30 June 2015, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 under the Laws of Hong Kong), which were 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 or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the company (the "shares")

No long positions of Directors in the Shares 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 and the shares of associated corporation

No short positions of Directors in the Shares and the shares of 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 or any of its associated corporation 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.

Save as disclosed above, at 30 June 2015, 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.

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

At 30 June 2015, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long Positions in the Shares

Name of Substantial Shareholder	Capacity/ Nature of interest	Number of ordinary shares in the capital in Company held	Percentage of issued share capital of the Company
The Underwriter	Beneficial owner	1,080,010,750	50% <i>(Notes 1 and 2)</i>
Galaxy Sky Investments Limited	Interest in controlled corporation	1,080,010,750	50% <i>(Notes 1 and 2)</i>
Kingston Capital Asia Limited	Interest in controlled corporation	1,080,010,750	50% <i>(Notes 1 and 2)</i>
Kingston Financial Group Limited	Interest in controlled corporation	1,080,010,750	50% <i>(Notes 1 and 2)</i>
Active Dynamic Limited	Interest in controlled corporation	1,080,010,750	50% <i>(Notes 1 and 2)</i>
Ms. Chu Yuet Wah	Interest in controlled corporation	1,080,010,750	50% <i>(Note 2)</i>
Mr. Zhao Guangyu	Beneficial owner	100,000,000	4.63%

Note:

- The Shares are the Offer Shares which the Underwriter is interested under the Underwriting Agreement on the assumption of no acceptance by the Qualifying Shareholders under the Open Offer. The Underwriter is a wholly-owned subsidiary of Galaxy Sky Investments Limited, which is wholly owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited is wholly owned by Kingston Financial Group Limited. Active Dynamic Limited owns 42.9% interest in Kingston Financial Group Limited. Ms. Chu Yuet Wah owns 100% interest in Active Dynamic Limited.
- The approximate percentages of interest in Shares as shown represented the number of Shares interested by the relevant Shareholders as at 30 June 2015 as enlarged by the relevant Offer Shares.

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 30 June 2015, 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 established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has three members comprising all the independent non-executive Directors, namely, Mr. Lam Tze Chung as the chairman of the Audit Committee, Mr. Wu Ka Ho Stanley and Mr. Qian Fengjun. All Audit Committee members possess appropriate industry and financial experience to advise on the Group’s strategy and other matters. The composition of the Audit Committee meets the requirements of Rule 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are to ensure the adequacy and effectiveness of the accounting and financial controls of the Group, oversee the performance of internal control systems and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors.

The Group’s first quarterly results for the three months ended 30 June 2015 have been reviewed by the members of the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee comprised four members, three members are independent non-executive Directors namely Mr. Wu Ka Ho Stanley, Mr. Lam Tze Chung and Mr. Qian Fengjun, and Mr. Yau Yan Ming Raymond being an executive Director. Mr. Wu Ka Ho Stanley was appointed as the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

The Nomination Committee comprised four members, three members are independent non-executive Directors namely Mr. Wu Ka Ho Stanley, Mr. Lam Tze Chung and Mr. Qian Fengjun, and Mr. Zha Jian Ping being an executive Director. Mr. Qian Fengjun was appointed as the chairman of the Nomination Committee.

CORPORATE GOVERNANCE PRACTICES

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

Under the Code Provision A.2.1., the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not at present separate the roles of the chairman and chief executive officer. Mr. Zha Jian Ping (“**Mr. Zha**”) is the Chairman and Chief Executive Officer of the Company. He has extensive experience in project management and is responsible for the overall corporate strategies, planning and business development of the Group. It will be more effective in developing the Company’s long-term business strategies and in execution of the Company’s business plans if Mr. Zha continues to serve as the chief executive officer of the Company. The balance of power and authorities is ensured by the Board which comprises experienced and high caliber individuals with sufficient number of Independent Non-executive Directors.

Appointment term of non-executive directors

Under code provision A.4.1 of the CG 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 and non-executive Director 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 of Associations. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period under review, the Company continued to adopt a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

By Order of the Board
Chinese Energy Holdings Limited
Zha Jian Ping
Chairman

Hong Kong
10 August 2015

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

Executive Directors

Mr. Zha Jian Ping
Mr. Yau Yan Ming Raymond
Mr. Lu Lin Yu
Mr. Cai Da
Ms. Wu Hong Ying

Independent non-executive Directors

Mr. Lam Tze Chung
Mr. Wu Ka Ho Stanley
Mr. Qian Fengjun