

Chinese Energy Holdings Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 8009

Third Quarterly Report

2015

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 loss attributable to owners of the Company for the nine months ended 31 December 2015 was approximately HK\$55,443,000, as compared to the unaudited condensed consolidated profit attributable to owners of the Company of approximately HK\$4,143,000 for the corresponding nine-month period in 2014. No interim dividend is recommended for the period. The Group continues to be in a healthy financial condition with current assets at a comfortable level of approximately HK\$567,961,000 at the end of the reporting period.

BUSINESS REVIEW

Management discussion and analysis

During the nine-month period ended 31 December 2015, 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, general trading, provision of factoring services and money lending.

The turnover for the Group was approximately HK\$503,224,000 as compared to approximately HK\$256,700,000 for the corresponding period in 2014. No interest nor dividend income were received during the period under review.

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.

Share Consolidation

On 22 June 2015, the Company implemented the Share Consolidation of every two issued Shares in the share capital of the Company into one Consolidated Share each. It was expected to bring about a corresponding upward adjustment in the trading price of the Consolidated Shares on the Stock Exchange, which reduced the overall transaction costs. Accordingly, the Directors were of the view that the Share Consolidation was in the interests of the Company and the Shareholders as a whole.

Open Offer

After the Share Consolidation became effective, the Company intended to raise approximately HK\$162,002,000, 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 was available only to the Qualifying Shareholders and was not to be extended to the Non-Qualifying Shareholders.

Based on 1,080,010,750 Offer Shares, the estimated net proceeds from the Open Offer was approximately HK\$156.9 million. The Company intended 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 was fully underwritten by the Underwriter which shall ensure that the Company maintained the minimum public float requirement in compliance with Rule 11.23 of the GEM Listing Rules. On Monday, 27 July 2015, date for acceptance of and payment for the Offer Shares, 12 valid acceptances of the assured entitlement had 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, had subscribed for 710,116,941 Offer Shares, which had not been taken up by the Qualifying Shareholders.

For details and capitalised terms, please refer to the announcements 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.

Issue of Convertible Note under General Mandate

On 25 September 2015, the Company and the Subscriber, a wholly-owned subsidiary of Easyknit International, entered into the Subscription Agreement in respect of the issue of and subscription for the Convertible Note in an aggregate principal amount of HK\$60,480,000.

Assuming full conversion of the Convertible Note at the initial Conversion Price of HK\$0.14 per Share, a total of 432,000,000 new Shares was allotted and issued, representing (i) approximately 20% of the issued share capital of the Company as at the date of the Joint Announcement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Company intended to apply the net proceeds from the Subscription for general working capital of the Group.

For details and capitalised terms, please refer to the announcements of the Company dated 25 September 2015 and 7 October 2015.

Letter of Intent in Relation to the Possible Acquisition

The Board announced that on 14 October 2015 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the non-legally binding Letter of Intent with the Vendor (an Independent Third Party) in respect of the Possible Acquisition. Pursuant to the Letter of Intent, the Refundable Deposit of HK\$50,000,000 shall be payable by the Purchaser upon signing of the Letter of Intent.

The Vendor shall sell and the Purchaser shall acquire the Sale Shares, representing a maximum of 44.76% of the issued share capital of the Target Company. The Target Group is principally engaged in trading in and distribution and logistics of liquefied natural gas in the PRC.

For details and capitalised terms, please refer to the announcements of the Company dated 14 October 2015 and 13 January 2016.

Provision of Loan

On 27 November 2015, First Top Finance Limited, a wholly owned subsidiary of the Company, and Fast Upgrade Limited, an independent third party, entered into the Loan Agreement pursuant to which First Top Finance Limited agreed to grant to Fast Upgrade Limited a loan facility of up to HK\$90 million for a period of 12 months, which may be extended if agreed by the parties to the Loan Agreement. The interest rate of the loan agreement is 5% per annum.

For details and capitalized terms, please refer to the announcement of the Company dated 27 November 2015.

Equity Transfer Agreement

The Board announced that on 21 December 2015, the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Vendor (an Independent Third Party) in respect of the Acquisition, pursuant to which the Purchaser conditionally agreed to acquire the entire equity interest in the Target Company at a consideration of RMB10 million (equivalent to approximately HK\$12 million).

The Target Company is principally engaged in the distribution and retailing of LNG, distribution of LNG equipment and parts, leasing of LNG facilities, and provision of technical and consultation services in connection with LNG. After the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

The Acquisition marks the first milestone for the Group to establish its LNG business in the PRC and may facilitate the Group to forge strategic cooperative relationship with major players in both PRC and foreign oil and gas industries, which may support the Group's future expansion in the LNG supply and transmission business, including purchase of LNG gas from overseas markets.

For details and capitalized terms, please refer to the announcements of the Company dated 21 December 2015 and 20 January 2016.

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 period under review.

Date of announcement	Fund raising activities	Net proceeds raised and intended use of proceeds	Actual use of proceeds as at 31 December 2015
25 September 2015	Issuance of convertible note	Approximately HK\$60.4 million is intended to be used for working capital	Approximately HK\$60.4 million was used for working capital
24 March 2015	Open offer on basis of one offer share for every one share held	Approximately HK\$30 million is intended to be used for working capital. Approximately HK\$126.9 million is intended for future investment in liquefied natural gas business	Approximately HK\$30 million was used for working capital. Approximately HK\$50 million was used as deposit for investment in liquefied natural gas acquisition; and the remaining 76.9 million was placed at an account pending for intended use
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 used for working capital

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group had current assets totaling approximately HK\$567,961,000 (31 March 2015: approximately HK\$337,431,000). The management of the Group considers its financial resources to be liquid because approximately 42.7% of this total comprised of the Group's cash and cash equivalents. The Group's gearing ratio at 31 December 2015 was 11.2% (31 March 2015: 0%), as calculated by taking the ratio of the Group's total interest-bearing borrowings (including convertible note), divided by its shareholders' funds.

The Group has no contingent liabilities as at 31 December 2015 (31 March 2015: HK\$Nil). As at 31 December 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).

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 2015, the Group has financial investments with fair value of approximately HK\$12,223,000 (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 nine-months period ended 31 December 2015, the Group's turnover was approximately HK\$503,224,000 which was comprised of revenue generated from management fee income, general trading and factoring services, as compared to a turnover of approximately HK\$256,700,000 for the corresponding nine-month period ended 31 December 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 loss attributable to owners of the Company of approximately HK\$55,443,000 for the nine months ended 31 December 2015, as compared to net profit attributable to owners of the Company approximately HK\$4,143,000 for the corresponding period in 2014. The gross profit for the period ended 31 December 2015 was approximately HK\$27,364,000 (2014: gross profit of approximately HK\$15,631,000). The Group's administrative expenses was amounted to approximately HK\$24,030,000 (2014: approximately HK\$13,783,000).

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 2015 together with the comparative unaudited figures for the corresponding periods in 2014 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2015

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Turnover	3	224,396	163,241	503,224	256,700
Cost of sales		(212,557)	(156,576)	(475,860)	(241,069)
Gross profit		11,839	6,665	27,364	15,631
Other income		2,216	907	12,686	2,282
Other (losses)/gains	4	(7,312)	(1,050)	(62,627)	1,659
Selling expenses		(38)	–	(38)	–
Administrative expenses		(5,860)	(6,734)	(24,030)	(13,783)
Finance costs		(1,143)	–	(1,143)	–
(Loss)/profit before taxation	5	(298)	(212)	(47,788)	5,789
Taxation	6	(3,745)	(1,646)	(7,655)	(1,646)
(Loss)/profit for the period attributable to owners of the Company		(4,043)	(1,858)	(55,443)	4,143
Other comprehensive expense for the period, net of tax		(3,033)	(140)	(1,062)	(141)
Total comprehensive (expense)/income for the period attributable to owners of the Company, net of tax		(7,076)	(1,998)	(56,505)	4,002
(Loss)/earnings per share	8				
– basic (HK cents)		(0.002)	(0.10)	(0.03)	0.27
– diluted (HK cents)		(0.002)	(0.10)	(0.03)	0.27

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Notes

1. GENERAL INFORMATION

The Group was 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 3004, 30/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 financial instruments, which are measured at fair values. 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Continuing operations				
Management fee income	3,076	–	9,016	11,740
Sales of goods in general trading	220,162	163,241	491,887	244,960
Provision of factoring services	1,158	–	2,321	–
	224,396	163,241	503,224	256,700

4. OTHER (LOSSES)/GAINS

	Three months ended 31 December		Nine months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Net realised loss on disposal of financial assets at fair value through profit or loss	(21,538)	(1,984)	(40,454)
Net gain/(loss) on revaluation of financial assets at fair value through profit or loss	21,573	934	(9,127)	3,643
Impairment on intangible asset	–	–	(5,699)	–
Loss on disposal of subsidiary	(7,347)	–	(7,347)	–
	(7,312)	(1,050)	(62,627)	1,659

5. (LOSS) PROFIT BEFORE TAXATION

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

	Nine months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Staff costs		
Salaries and allowances	2,642	2,528
Net contributions to retirement benefits schemes	88	51
	2,730	2,579
Operating lease charges in respect of rented premises	3,042	1,267
Amortisation of intangible assets	5,815	7,582
Depreciation of property, plant and equipment	57	49
Legal and professional fee	1,894	2,526

6. TAXATION

	For the three months ended 31 December		For the nine months ended 31 December	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Current Tax			
The PRC	3,745	1,646	7,655	1,646
Taxation attributable to the Group	3,745	1,646	7,655	1,646

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.

7. 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	Investment revaluation reserve HK\$'000	Equity component of the convertible note HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
At 1 April 2014	-	-	45,918	-	66,355	(149)	-	(380,906)	(268,782)
Total comprehensive income (expenses) for the period	-	-	-	-	(141)	-	-	4,143	4,002
At 31 December 2014	-	-	45,918	-	66,214	(149)	-	(376,763)	(264,780)

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Merger reserve HK\$'000	Special capital reserve HK\$'000	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	Equity component of the convertible note HK\$'000	Accumulated (losses) profits HK\$'000	Total HK\$'000
At 1 April 2015	-	-	45,918	-	67,933	(1,921)	-	(388,300)	(276,370)
Total comprehensive (expenses) income for the period	-	-	-	-	(2,983)	1,921	-	(55,443)	(56,505)
Issue of convertible note	-	-	-	-	-	-	39,919	-	39,919
At 31 December 2015	-	-	45,918	-	64,950	-	39,919	(443,743)	(292,956)

8. (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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (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	(4,043)	(1,858)	(55,443)	4,143
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	2,160,022	1,876,714	1,982,647	1,544,267

The weighted average number of shares for the purpose of calculating basic loss per share for the nine months ended 31 December 2015 has been retrospectively adjusted in connection to the Share Consolidation completed on 22 June 2015 and the Open Offer completed on 6 August 2015.

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.

9. INTERIM DIVIDEND

The Directors do not recommend the payment of dividend for the nine months ended 31 December 2015 (2014: 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 2015, the interests or short position of the Directors or the Chief Executive of the Company 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, were as follows:

(i) Interest in shares of the Company

Name of Director	Nature of interests	Long position	
		Number of ordinary Shares	Percentage of total number of Shares
Ms Yik Fong Fong	Beneficial owner	10,000,000	0.46%

Save as disclosed above, at 31 December 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.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 31 December 2015, the following persons (other than the interests disclosed above in respect of certain Directors or Chief Executives of the Company) had an interest or 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

Name of Substantial Shareholder	Capacity/Nature of interest	Number of ordinary shares in the Company held	Percentage of issued share capital of the Company (Note 2)
Keen Insight Limited (Note 1)	Beneficial owner	330,000,000	15.28%
Hony Capital Group L.P. (Note 1)	Interest in controlled corporation	330,000,000	15.28%
Hony Capital Management Limited (Note 1)	Interest in controlled corporation	330,000,000	15.28%
Hony Managing Partners Limited (Note 1)	Interest in controlled corporation	330,000,000	15.28%
Zhao John Huan (Note 1)	Interest in controlled corporation	330,000,000	15.28%
Xu Xiaohu	Beneficial owner	149,000,000	6.9%

Notes:

- Keen Insight Limited is a wholly owned subsidiary of Hony Capital Group L.P. Hony Capital Group L.P. is wholly owned subsidiary of Hony Capital Management Limited. John Huan Zhao has 100% interest in Hony Managing Partners Limited, which has 80% interest in Hony Capital Management Limited.
- The percentage is based on 2,160,021,500 issued Shares as at 31 December 2015.

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, as at 31 December 2015, 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 fall 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. To Ka Ho (appointed on 16 November 2015) (Chairman of the Audit Committee), Mr. Lam Tze Chung (resigned on 16 November 2015), Mr. Ko Ming Tung Edward and Mr. Chen Liang. 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 2015 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.

REMUNERATION COMMITTEE

The Remuneration Committee comprised four members, three members are independent non-executive Directors namely Mr. Ko Ming Tung Edward, Mr. Chen Liang and Mr. To Ka Ho, and Ms. Yik Fong Fong being an executive Director. Mr. Ko Ming Tung Edward 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. Chen Liang, Mr. Ko Ming Tung Edward and Mr. To Ka Ho, and Mr. Cai Da being an executive Director. Mr. Chen Liang was appointed as the chairman of the Nomination Committee.

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 2015 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 CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

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

Chairman and Chief Executive

Under code provision A.2.1, the roles of chairman and chief executive officer should be separated. Mr. Cai serves as the Chairman of the Board and the chief executive officer of the Company. The reason for not splitting the roles of chairman and chief executive officer are as follows:

- The size of the Group is still relatively small and thus not justified in separating the roles of chairman and chief executive officer; and
- The Group has in place an internal control system to perform the check and balance function.

Mr. Cai is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

Thus, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company.

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
Yik Fong Fong
Director

Hong Kong, 5 February 2016

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

Executive Directors

Mr. Cai Da

Ms. Wu Hongying

Ms. Yik Fong Fong

Independent non-executive Directors

Mr. Ko Ming Tung Edward

Mr. Chen Liang

Mr. To Ka Ho