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Chinese Energy Holdings Limited
華夏能源控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 8009)

MAJOR TRANSACTION
AMENDMENT OF NEW MANAGEMENT AGREEMENT

On 7 March 2014, Shenzhen Huaya, a wholly owned subsidiary of the Company and Carecall 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.

As the applicable percentage ratios as set out in Chapter 19 of the GEM Listing Rules in relation to the Amendment Agreement are more than 25% but less than 100%, the Amendment Agreement constitutes a major transaction (acquisition) of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under the GEM Listing Rules.

A circular will be despatched to the Shareholders containing, among other things, details on the Amendment Agreement and a notice to convene the EGM in accordance with the GEM Listing Rules on or before 28 March 2014.

BACKGROUND

Reference is made to page 4 of the Company's announcement dated 20 June 2013 regarding the Proposed Restructuring (as defined on that page). As disclosed in the that announcement, on 19 June 2013, a new management agreement ("**New Management Agreement**") was entered into between a wholly-owned subsidiary of the Company and Carecall Capital on substantially the same terms and conditions as the Management Agreement for the remaining terms of the Management Agreement.

The wholly-owned subsidiary of the Company which entered into the New Management Agreement is Shenzhen Huaya.

On 19 June 2013, Shenzhen Careall Electric and Shenzhen Careall Investment executed a share pledge agreement in favour of Shenzhen Huaya whereby their entire equity interest in Careall Capital was pledged as a security for the due performance by Careall Capital of its obligation under the New Management Agreement. On the same date, Mr. Wang Hongjun, Ms. Li Xiaomei and Wang Shuai

(collectively the “**Guarantors**”) entered into a guarantee with Shenzhen Huaya and Careall Capital whereby the Guarantors provided personal guarantee to Shenzhen Huaya for the due performance by Careall Capital of its obligations under the New Management Agreement.

THE AMENDMENT AGREEMENT

On 7 March 2014 after trading hours, Shenzhen Huaya and Carecall Capital entered into the Amendment Agreement together with other parties 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. The principal terms of the Amendment Agreement are summarised as follows:

Date:

7 March 2014 after trading hours

Parties:

1. Shenzhen Huaya
2. Careall Capital
3. Shenzhen Careall Investment
4. Shenzhen Careall Electric

Shenzhen Careall Electric and Shenzhen Careall Investment together hold the entire equity of Careall Capital. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, Careall Capital, Shenzhen Careall Investment, Shenzhen Careall Electric and their ultimate beneficial owners are Independent Third Parties.

Amendment:

Pursuant to the New Management Agreement, Shenzhen Huaya agreed to provide management services to Careall Capital for an annual management fee equivalent to 70% of the Net Profits of Careall Capital. Shenzhen Huaya has the option (“**Option**”) to renew the New Management

Agreement in its sole and absolute discretion after its expiry 12 years from 19 June 2013. Pursuant to the Amendment Agreement, annual management fee was revised to a sum of a fee equivalent to 15% of the Net Profits and a fixed management fee for the respective periods as follows:

From	To	fixed management fee in RMB
1 September 2013	31 August 2014	10,000,000
1 September 2014	31 August 2015	10,000,000
1 September 2015	31 August 2016	11,000,000
1 September 2016	31 August 2017	11,000,000
1 September 2017	31 August 2018	12,000,000
1 September 2018	31 August 2019	12,000,000
1 September 2019	31 August 2020	13,000,000
1 September 2020	31 August 2021	13,000,000
1 September 2021	31 August 2022	14,000,000
1 September 2022	31 August 2023	15,000,000
1 September 2023	31 August 2024	<u>16,000,000</u>
	Total	<u><u>137,000,000</u></u>

The fixed fee shall be payable notwithstanding profit or loss of Careall Capital. Only the fixed fee shall be payable if Careall Capital records no Net Profits in a relevant period.

In accordance with the amended terms, the Amendment Agreement will terminate on 31 August 2024 and the Option is cancelled.

The new annual management fee consisting of the above 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 with reference to the comparison of the valuation of the New Management Agreement and the Amendment Agreement performed by an independent valuer.

Conditions Precedent:

The completion of the Amendment Agreement is subject to the following conditions precedent:

- (a) Shenzhen Careall Electric, Shenzhen Careall Investment and Careall Capital having executed a confirmation letter whereby Shenzhen Careall Electric and Shenzhen Careall Investment confirm their knowledge and agreement in respect of the revised termination date, the cancellation of the Option and the amendment of the annual management fee pursuant to the

Amendment Agreement and their agreement to continue to pledge their entire equity interest in Careall Capital to Shenzhen Huaya for the due performance by Careall Capital of its obligation under the New Management Agreement and the Amendment Agreement;

- (b) the Guarantors and Careall Capital having executed a confirmation letter whereby the Guarantors unanimously confirm their knowledge and agreement in respect of the revised termination date, the cancellation of the Option and the amendment of the annual management fee pursuant to the Amendment Agreement and their agreement to continue to provide unconditional and irrevocable joint guarantee for the due performance by Careall Capital of its obligation under the New Management Agreement and the Amendment Agreement;
- (c) all necessary waiver, consent, permission, licence, authorisation, approval, order and exemption from relevant government or regulatory authorities in Hong Kong or other third parties required to be obtained in respect of the Amendment Agreement and the transactions contemplated thereunder having been obtained;
- (d) the passing by the Shareholders at the EGM of a resolution to approve the Amendment Agreement and the transactions contemplated thereunder;

If the above conditions are not satisfied on or before 5:00 p.m. on the Long Stop Date or such later date as the parties may agree, the Amendment Agreement shall terminate and no party shall have any obligations and liabilities towards the other parties save for any antecedent breaches of the terms thereof.

INFORMATION OF THE GROUP

The Company is an investment holding company and the Group is principally engaged in provision of management services, investment in financial and investment products.

INFORMATION OF THE SHENZHEN HUAYA

Shenzhen Huaya is a wholly-owned subsidiary of the Company established in PRC and principally engaged in provision of management service and trading.

INFORMATION OF CAREALL CAPITAL

Careall Capital is a company established in the PRC in April 2007 with current registered capital of RMB200,000,000. Careall Capital is principally engaged in venture investment, venture investment advisory and management services and the agency services for venture capital firm or individual venture investment. The objective of Careall Capital is to invest in the equities of the new technology-based enterprises in the PRC and to support the enterprises which engage in high-technology business and the small enterprises with high growth.

Careall Capital does not participate in the daily operations and management of the investee companies but engages in important decisions of the investee companies and by using the network advantages of its shareholders, management company and strategic partner to increase the value of the investee companies. Careall Capital possesses the professionals in investment and integrated expertise of finance and technology and has participated in many investment projects in high-technology and high growth fields including new materials, electronic information, energy conservation and environmental protection, chained stores and new media. Careall Capital is beneficially owned by Ms. Li Xiaomei and Mr. Wang Hongjun as to 40% and 60% respectively.

INFORMATION OF THE SHENZHEN CAREALL INVESTMENT

Shenzhen Careall Investment is a company established in PRC and is principally engaged in investment holding. Shenzhen Careall Electric and Shenzhen Careall Investment together hold the entire equity of Careall Capital. On 14 February 2014, Wang Shuai ceased to be the shareholder of Shenzhen Careall Investment and Li Xiaomei and Wang Hongjun became its only shareholders holding respectively 40% and 60% of its equity interest.

INFORMATION OF THE SHENZHEN CAREALL ELECTRIC

Shenzhen Careall Electric is a company established in PRC and wholly-owned by Shengzhen Careall Investment. It is principally engaged in electro mechanical technology development, production and sales.

INFORMATION OF THE GUARANTORS

Ms. Li Xiaomei is the spouse of Mr. Wang Hongjun and Mr. Wang Shuai is a nephew of Mr. Wang Hongjun. Each of Mr. Wang Hongjun, Ms. Li Xiaomei and Mr. Wang Shuai is an Independent Third Party. Careall Capital is beneficially owned by Ms. Li Xiaomei and Mr. Wang Hongjun as to 40% and 60% respectively.

FINANCIAL EFFECT OF THE AMENDMENT AGREEMENT

According to the valuation by an independent valuer, the value of the intangible assets representing the New Management Agreement and the Amendment Agreement is approximately HK\$133,329,000 and approximately HK\$135,197,000 respectively as at the date of this announcement. Set out below is the net loss (both before and after taxation) attributable to the Management Agreement for the year ended 31 March 2012 and 31 March 2013:

	For the year ended 31 March 2012	For the year ended 31 March 2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Net loss before taxation	102,499	104,577
Net loss after taxation	116,453	147,487

After the Company has discussed with auditor, the Company is of the view that there will be a positive impact on the financial position of the Company since the major part of the cash flow can be predicted due to the fixed fee part of the amended payment terms and the variable part being reduced. This would result in less market risk to the cash flow forecast. Further, after having consulted an independent valuer, the Company is of the opinion that there will be no immediate impairment to the book value of the intangible asset due to the Amendment Agreement.

There should be no gain or loss expected to accrue to the listed issuer after consulting with the company's auditor.

REASONS FOR THE AMENDMENT AGREEMENT

As reported in the Company's Third Quarterly Report 2013 published on 14 February 2014, the turnover for the Group was approximately HK\$5,286,000 for the nine months ended 31 December 2013 as compared to approximately HK\$163,058,000 for the corresponding period in 2012. Careall Capital did not generate any profit for the relevant period. Hence, the Company did not receive any management fee income. The Board is of the view that the new arrangement of management fee which includes a fixed annual payment pursuant to the Amendment Agreement will ensure a more certain and stable income for the Group.

The Directors believe that the Amendment Agreement is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATION OF THE LISTING RULES

As the applicable percentage ratios as set out in Chapter 19 of the GEM Listing Rules in relation to the Amendment Agreement are more than 25% but less than 100%, the Amendment Agreement constitutes a major transaction (acquisition) of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under the GEM Listing Rules.

A circular will be despatched to the Shareholders containing, among other things, details on the Amendment Agreement and a notice to convene the EGM in accordance with the GEM Listing Rules on or before 28 March 2014.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholder has an interest in the Amendment Agreement which is materially different from the other Shareholders. Therefore no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

DEFINITION

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Amendment Agreement”	the agreement entered into between Shenzhen Huaya, Careall Capital, Shenzhen Careall Investment and Shenzhen Careall Electric on 7 March 2014 pursuant to which the parties conditionally agreed to revise the terms on payment of the management fee, the option to renew the contract and the termination date in respect of the New Management Agreement
“Board”	board of Directors
“Careall Capital”	深圳市康沃資本創業投資有限公司 (Shenzhen Careall Capital Investment Co., Ltd.*), a company established in the PRC and an Independent Third Party
“Company”	Chinese Energy Holdings Limited, a company incorporated in the Hong Kong with limited liability, the shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened to consider, and if thought fit, approve the Amendment Agreement and the transactions contemplated therein
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons in accordance with the GEM Listing Rules
“Long stop Date”	30 June 2014
“Management Agreement”	the management agreement entered into between Careall Capital and Supreme Luck on 19 August 2009 in relation to provision of management services by the Supreme Luck to Careall Capital
“Net Profits”	the consolidated net profits after tax of Careall Capital as to be shown in its audited consolidated accounts for the relevant period to be prepared by a firm of certified public accountants in Hong Kong acceptable to Shenzhen Huaya
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Shenzhen Huaya”	深圳華亞能源有限公司(Shenzhen Huaya Energy Company Limited*), a wholly-owned subsidiary of the Company established in PRC

“Shenzhen Careall Investment”	深圳市康沃投資控股集團有限公司 (formerly known as 深圳市康沃置業投資控股有限公司) (Shenzhen Careall Investment Holding Group Company Limited*), a company established in the PRC and an Independent Third Party
“Shenzhen Careall Electric”	深圳市康沃電氣技術有限公司 (Shenzhen Careall Electric Technologies Company Limited*), a company established in the PRC and an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“Supreme Luck”	Supreme Luck International Limited (至福國際有限公司), an indirect wholly-owned subsidiary of the Company incorporated in the British Virgin Islands
“%”	per cent

* *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*

By order of the Board
Chinese Energy Holdings Limited
Zha Jian Ping
Executive Director

Hong Kong, 7 March 2014

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

As at the date hereof, the Board consists of four executive Directors, namely Mr. Shi Yanmin, Mr. Yau Yan Ming Raymond, Mr. Zha Jian Ping and Mr. Ji Peng; one non-executive Director, namely Ms. Qi Yue; and three independent non-executive Directors, namely Mr. Yue Laiqun, Mr. Wu Ka Ho Stanley and Mr. Lam Tze Chung.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days of its publication and on the websites of the Company at <http://www.chinese-energy.com>.