

CHINA ENERGY LIMITED
(Company Registration No. 200510060K)
(Incorporated in the Republic of Singapore)

EMPHASIS OF MATTER BY INDEPENDENT AUDITORS ON AUDITED FINANCIAL STATEMENTS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2013

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Board of Directors of China Energy Limited (the “**Company**” or “**Group**”) would like to announce that the Company’s Independent Auditors, Messrs Moore Stephens LLP, have issued the Independent Auditors’ Report in respect of the audited financial statements of the Group for financial year ended 31 December 2013 (the “**Audited Financial Statements**”) with an emphasis of matter opinion (“**Opinion**”). Please refer to Annexure A.

The Opinion issued by Auditors does not constitute a qualified opinion in respect of the Audited Financial Statements. The emphasis of matter disclosed in the Auditors’ Report pertained to the Group’s going concern assumption in the preparation of the Audited Financial Statements. Please refer to Annexure A for the basis of the Opinion.

None of the Company’s subsidiaries has received qualification or emphasis of matter by the Auditors for the purpose of the consolidation of the Group’s financial statements.

The Group incurred a net loss of RMB 277,319,000 (2012: RMB 285,880,000) and a total comprehensive loss of RMB 276,409,000 (2012: RMB 286,956,000) for the financial year ended 31 December 2013. As at 31 December 2013, the Group current liabilities exceeded its current assets by RMB 1,501,386,000 (2012: RMB 991,553,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt as to the ability of the Group to continue as a going concern. The Audited Financial Statements have been prepared on a going concern basis and the basis of which is as disclosed in Note 2(a) of the Audited Financial Statements. Please refer to Annexure B for the basis of the preparation of the Audited Financial Statements as a going concern.

There is no material variance between the full year results announcement dated 1 March 2014 and the Audited Financial Statements.

Shareholders are advised to refer to the Company’s Annual Report for the financial year ended 31 December 2013, which will be dispatched to shareholders shortly, for more details of the emphasis of matter and the basis of preparation of the Audited Financial Statements.

BY ORDER OF THE BOARD

CUI LIANGUO
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER
11 APRIL 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

**CHINA ENERGY LIMITED
(Incorporated in Singapore)**

1. We have audited the accompanying financial statements of China Energy Limited (the "Company") and its subsidiary companies (collectively referred to as the "Group"), as set out on pages 32 to 81, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

CHINA ENERGY LIMITED (Incorporated in Singapore)

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Opinion

6. In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Emphasis of Matter

7. We draw attention to Note 2(a) to the financial statements which states that the Group incurred a net loss of RMB 277,319,000 (2012: RMB 285,880,000) and a total comprehensive loss of RMB 276,409,000 (2012: RMB 286,956,000) for the financial year ended 31 December 2013. As at 31 December 2013, the Group's current liabilities exceeded its current assets by RMB 1,501,386,000 (2012: RMB 991,553,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt as to the ability of the Group to continue as a going concern.
8. The accompanying financial statements have been prepared on a going concern basis for the reasons stated in paragraphs (9) to (10) below.
9. As discussed more fully in Note 2(a) to the financial statements, the ability of the Group to continue as a going concern is dependent on its ability to meet its day-to-day working cash flow requirements from a combination of the working capital generated from operations and financing from banks and related parties. The financial support from related parties, for a period of not less than one year from the date of this report, will be available so long as Mr Cui Lianguo remains as the controlling shareholder (having an interest in at least 15% of the Company's issued capital) or the largest shareholder of the Company. In the assessment of the going concern assumption, management prepared a cash flow projection and the directors of the Company are of the opinion that the Group has adequate resources to continue as a going concern for the foreseeable future.
10. As described in Note 21 and Note 22 to the financial statements, the Group has outstanding short-term bank loans amounting to RMB 705,000,000 (2012: RMB 410,000,000) and bills payables amounting to RMB 1,458,290,000 (2012: RMB 1,146,917,000) which are due in 2014 (2012: 2013). Management has held discussions with its bankers and no matters have been drawn to its attention to indicate that these banks intend to terminate their existing banking relationships with the Group.
11. In the event the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statements of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

**CHINA ENERGY LIMITED
(Incorporated in Singapore)**

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Report on Other Legal and Regulatory Requirements

12. In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
11 April 2014

2 Significant Accounting Policies (cont'd)**(a) Basis of Preparation (cont'd)****Going concern assumption**

The Group incurred a net loss of RMB 277,319,000 (2012: RMB 285,880,000) and a total comprehensive loss of RMB 276,409,000 (2012: RMB 286,956,000) for the financial year ended 31 December 2013. As at 31 December 2013, the Group's current liabilities exceeded its current assets by RMB 1,501,386,000 (2012: RMB 991,553,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt as to the ability of the Group to continue as a going concern.

The accompanying financial statements have been prepared on a going concern basis for the reasons stated below.

The ability of the Group to continue as a going concern is dependent on its ability to meet its day-to-day working cash flow requirements from a combination of the working capital generated from operations and financing from banks and related parties. The financial support from related parties, for a period of not less than one year from the date of this report, will be available so long as Mr Cui Lianguo remains as the controlling shareholder (having an interest in at least 15% of the Company's issued capital) or the largest shareholder of the Company. In the assessment of the going concern assumption, management prepared a cash flow projection and the directors of the Company are of the opinion that the Group has adequate resources to continue as a going concern for the foreseeable future.

As described in Note 21 and Note 22 to the financial statements, the Group has outstanding short-term bank loans amounting to RMB 705,000,000 (2012: RMB 410,000,000) and bills payables amounting to RMB 1,458,290,000 (2012: RMB 1,146,917,000) which are due in 2014 (2012: 2013). Management has held discussions with its bankers and no matters have been drawn to its attention to indicate that these banks intend to terminate their existing banking relationships with the Group.

In the event the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statements of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements.