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The Board of Directors
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Dear Sirs

**REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION OF
CHINA ENERGY LIMITED**

Introduction

1. We have reviewed the accompanying interim condensed financial information of China Energy Limited (the "Company") and its subsidiary companies (collectively referred to as the "Group"), as set out in Note 1, 4, 5, 6, 8 and 13 of the Company's financial statements and dividend announcement for the three months ended 31 March 2014. The interim condensed financial information comprises the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2014 and the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity of the Group and the Company, and the consolidated statement of cash flows for the three months period ended 31 March 2014, and the explanatory notes. Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with Singapore Financial Reporting Standard ("FRS") 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed financial statements based on our review.

Scope of Review

2. We have conducted our review in accordance with Singapore Standard on Review Engagements ("SSRE") 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with FRS 34.

Emphasis of Matter

4. We draw attention to Note 8 to the interim condensed financial information which states that the Group incurred a net loss of RMB 96,475,000 and a total comprehensive loss of RMB 96,472,000 for the three months financial period ended 31 March 2014. As at 31 March 2014, the Group's current liabilities exceeded its current assets by RMB 1,651,565,000. 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.
5. The accompanying interim condensed financial information has been prepared on a going concern basis for the reasons stated below.
6. As discussed more fully in Note 8 to the interim condensed financial information for the three months financial period ended 31 March 2014, 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 11 April 2014 (date of audit report for financial year ended 31 December 2013), 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.
7. As described in Note 8 to the interim condensed financial information for the three months financial period ended 31 March 2014, the Group has outstanding short-term bank loans amounting to RMB 730,000,000 and bills payables amounting to RMB 1,539,175,000 which are due within the next 12 months. In the course of management's dealing with its bankers, no matters have been drawn to its attention to indicate that the bankers intend to terminate their existing banking relationships with the Group.
8. 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 the interim condensed financial information.
9. Our conclusion is not qualified in respect of this matter.

Other Matter

10. Our audit report dated 11 April 2014 on the financial statements for the previous financial year ended 31 December 2013 also contained an emphasis of matter on the ability of the Group to continue as a going concern.

Restriction on Distribution or Use

11. Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we might report to you on the interim condensed financial information for the purpose of assisting the Company to meet the requirements of paragraph 3 of Appendix 7.2 of the Singapore Exchange Securities Trading Limited's Listing Manual and for the purpose of complying with Rule 25 of the Singapore Code on Take-overs and Mergers. Our report is included in the Company's announcement of its interim condensed financial information for the information of its members. We do not assume responsibility to anyone other than the Company for our work, for our report, or for the conclusions we have reached in our report.



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