CHINA NORTH EAST PETROLEUM HOLDINGS LTD
Form 10QSB
December 02, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

/X/ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2004.

/_/ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____.

CHINA NORTH EAST PETROLEUM HOLDINGS LIMITED
(Name of small business in its charter)

Nevada
(State or other jurisdiction of incorporation)

033-02441- D
(Commission File Number)

87-0638750
(IRS Employer Identification No.)

Room 3505-06, 35F Edinburgh Tower

The Landmark

15 Queen's Road Central

Hong Kong

(Address of Principal Executive Office)

Issuer's telephone number: 852-2736-2111

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Applicable only to issuers involved in bankruptcy proceedings during the past five years.

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes .X No

Applicable only to corporate issuers

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. At November 30, 2004, 19,989,080 shares were outstanding.

Transitional Small Business Disclosure Format (Check one): Yes No X

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND EXHIBITS

CHINA NORTH EAST PETROLEUM HOLDINGS LIMITED

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

CONTENTS

CHINA NORTH EAST PETROLEUM HOLDINGS LIMITED AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2004 (UNAUDITED)

ASSETS

CURRENT ASSETS:		
Cash and cash equivalents	$	935
Other receivable and prepaids		1,430,353
Materials and supplies		44,720
TOTAL CURRENT ASSETS		1,476,008
PROPERTY AND EQUIPMENT:		
Oil and gas properties, using full cost method accounting		4,357,835
Other property and equipment		105,560
		4,463,395
Accumulated depreciation		(471,579)
NET PROPERTY AND EQUIPMENT		3,991,816

OTHER ASSETS:		
Construction in progress		42,215
Deferred expenditure, net		482,713
TOTAL OTHER ASSETS		524,928
TOTAL ASSETS	$	5,992,752

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable		619,786
Due to non-operating interest owner		2,242,391
Accrued expenses		19,773
Due to a director		1,399,541
Income tax payable		16,796
TOTAL CURRENT LIABILITIES		4,298,287
DEFERRED INCOME TAXES		131,279
TOTAL LIABILITIES		4,429,566
STOCKHOLDERS' EQUITY:		
Common stock ($.001 par value, 50,000,000 shares authorized: 19,989,080 issued and outstanding)		19,989
Additional paid-in-capital		1,167,410
Retained earnings		376,452
Cumulative foreign currency translation amount (665)		
TOTAL STOCKHOLDERS' EQUITY		1,563,186
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	5,992,752

The accompanying notes are an integral part of these financial statements

CHINA NORTH EAST PETROLEUM HOLDINGS LIMITED AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003 (UNAUDITED)

	Three Months Ended September 30, 2004	2003	Nine Months Ende 2004
REVENUE:			
Sales	$ 337,858	$ 179,484	$ 1,138,095
OPERATING EXPENSES:			
Production expense	210,476	119,424	355,458
Depreciation, depletion and amortization	161,118	905	482,316
General and administrative	38,461	45,087	117,131

Consulting	-	-	99,900
TOTAL OPERATING EXPENSES	410,055	165,416	1,054,805
INCOME (LOSS) BEFORE INCOME TAXES	(72,197)	14,068	83,290
INCOME TAXES	2,195	2,224	8,378
NET INCOME (LOSS)	$ (74,392)	$ 11,844	$ 74,912
Basic & fully diluted loss per share	**	**	**
Weighted average common shares outstanding	19,899,080	19,899,080	19,909,080

** less than $0.01.

The accompanying notes are an integral part of these consolidated financial statements

CHINA NORTH EAST PETROLEUM HOLDINGS LIMITED AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003 (UNAUDITED)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 74,912	$ 38,840
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	482,316	905
Common stock issued for services	99,900	-
(Increase) decrease in operating assets:		
Other receivable and prepaids	(1,336,103)	(670,665)
Materials and supplies	763	(8,026)
Increase (decrease) in operating liabilities:		
Accounts payable	58,147	97,497
Due to non-operating interest owner	(3,648)	130,509
Accrued expenses	9,743	3,285
Due to director	135,679	-
Income tax payable	(206)	-
Deferred income taxes	(214)	-
Foreign currency translation	(665)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(479,376)	(407,655)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditure for property and equipment	(7,792)	(85,836)

Expenditure for construction in progress	(2,295)	(91,108)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(10,087)	(176,944)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from capital injection	482,699	604,070
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	482,699	604,070
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,764)	19,471
CASH AND CASH EQUIVALENTS:		
Beginning of period	7,699	-
End of period	$ 935	$ 19,471
SUPPLEMENTAL CASH FLOW DISCLOSURES AND NON-CASH INVESTING INFORMATION:		
Common stock issued to others for services	$ 99,900	$ -
Cash paid during the year for interest	$ -	$ -

The accompanying notes are an integral part of these consolidated financial statements

1. CHANGE OF COMPANY NAME

On July 27,2004, the name of the Company was changed from Draco Holding Corporation ("DCHO") to China North East Petroleum Holdings Limited. ("CNEH"), with all the required filings submitted to the United States Securities and Exchange Commission.

2. BASES OF PRESENTATION

(i) The accompanying unaudited condensed consolidated financial statements of CNEH have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information. Accordingly, they do not include all the information and notes required by generally accepted accounting principles for complete financial statements.

In the opinion of the management of CNEH, all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the operating results for the three months and nine months ended September 30, 2004 have been made. Results for the quarter and interim periods presented are not necessarily indicative of the results that might be expected for the entire fiscal year. These financial statements should be read in conjunction with the Company's annual report on Form 10-KSB as filed with the Securities and Exchange Commission.

(ii) On April 30, 2004, CNEH completed a share exchange (the "Exchange") with the stakeholders of Hong Xiang Petroleum Group Limited ("HXP"), a British Virgin Islands corporation pursuant to the terms of an Agreement for Share Exchange, dated March 29, 2004. The Exchange resulted in a change of control of the CNEHE. Upon completion of the Exchange and the related share issuance, CNEH has a total of 19,989,080 shares issued and outstanding, of which 18,700,000, or approximately 94%, are owned by persons who were previously stockholders of Hong Xiang. The Exchange has been treated as a reverse takeover with HXP as the accounting acquiree and CNEH as the accounting acquirer. Accordingly, the purchase method under reverse merger accounting has been applied except that no goodwill is recorded on the consolidated balance sheet.

The consolidated financial statements are issued under the name of the legal parent, DCHO, but are a continuation of the financial statements of HXP. The comparative figures are those of HXP.

In addition to completion of the Exchange, on April 30, 2004, the DCHO executed a Distribution Agreement with its wholly-owned subsidiary, Jump'n Jax, a Utah corporation ("Jump'n Jax, Inc.") pursuant to which the Company agreed to distribute all of the outstanding shares of Jump'n Jax, Inc., as a dividend to the shareholders of record of the DCHO as of March 8, 2004. Under the Distribution Agreement, the effective date of the dividend was also April 30, 2004.

3. DESCRIPTION OF BUSINESS

HXP is the parent company of Hong Xiang Petroleum Technology Company (HXPT), a company established in the People's Republic of China ("the PRC") with limited liability. HXPT owns entirely the shareholding of an independent company, Hong Xiang Petroleum Qianan Exploration Company (HXPQ), a PRC incorporated company with limited liability engaged in the development and production of crude oil in Jilin oil region, the PRC.

Subsequent to the Production Sharing Contract (PSC) entered by the non-operating interest owner (the "Head Lessee") and the Jinlin Division Company of PetroChina Limited in December 2002, HXPQ entered another Production Sharing Contract (the "Contract") with the Head Lessee in respect of the development right of the proven Qian 112 Zone (the "Zone") in Jinlin oil region for 20 years (the "Contract Period"), in similar terms and conditions of the PSC.

In accordance with the Contract, HXP was responsible for fund raising and developing the Zone. Production from the Zone is shared in the following manner:-

Contract Period	For Head Lessee	For HXPQ
First 10 years	20%	80%
Remaining Years	40%	60%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company balances and transactions are eliminated in consolidation.

Use of estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates required to be made by management include the recoverability of long lived assets and recognition of revenue under long term contracts. Actual results could differ from those estimates.

Concentration of credit risk

HXPQ solely sells the oil to its non-operating interest owner. HXPQ has not experienced significant credit risk and is not aware of any significant uncollectible accounts. The carrying amount of cash and cash equivalents represents the Company's maximum exposure to credit risk in relation to financial assets.

Cash and cash equivalents

Cash and cash equivalents include all demand deposits and cash with original maturities of three months or less.

Materials and supplies

Inventories, consisting primarily of tubular goods and oil field materials and supplies, are stated at cost or market, cost being determined by the average cost method.

Oil and gas properties

HXPQ follows the full cost method of accounting for oil and gas properties. According, all costs associated with acquisition of development rights, and development of oil reserves, including directly related overhead costs, is capitalized.

Depreciation, depletion and amortization of capitalized costs, excluding unproved properties, are based on the unit-of-production methods based on proved reserves. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized.

In addition, the capitalized costs are subject to a "ceiling test", which basically limits such costs to the aggregate of the "estimated present value", discounted at a 10-percent interest rate of future net revenues from proved reserves, based on current economic and operating conditions, plus the lower of cost or fair market value of unproved properties.

Sales of portion of development rights and other proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustment would significantly alter the relationship between capitalized costs and proved reserved of oil and gas, in which case the gain or loss is recognized income.

Abandonment of oil and gas properties other than the development rights are accounted for as adjustments of capitalized costs with no loss recognized.

Other properties and equipment

Other property, including support equipment, and equipment are recorded on the basis of costs. Depreciation of other property and equipment, after considering estimated residual salvage values, is provided over the estimated useful lives of four to ten years using the straight-line method. Major renewals and betterments are recorded as additions to the property and equipment accounts. Repairs that do not improve or extend the useful lives of assets are expensed.

Deferred expenditure

The Deferred expenditure was inccurred in April 2003. HXPQ signed a complementary agreement with SongYuan YuQiao Petroleum & Gas Development Co., Ltd in March 5, 2003. HXPQ agreed to pay the transfer fee of the Qian 112 Zone. The total amount of transfer fee was 6 million RMB, which would be paid by two times. HXP treated the transfer fee as a deferred expenditure according to the advice from auditor in December 2003. It should be depreciated in 10 years.

Foreign currency translation and transactions

HXPQ uses China Renminbi ("RMB") as the functional currency, which is not freely convertible into foreign currencies. Transactions denominated in currencies other than RMB are translated into RMB at the applicable rates of exchange prevailing at the dates of the transactions, quoted by the People's Bank of China ("the PBOC"). Monetary assets and liabilities denominated in other currencies are translated into RMB at rates of exchange quoted by the PBOC prevailing at the balance sheet date. Exchange gains or losses arising from changes in exchange rates subsequent to the transactions dates for monetary assets and liabilities denominated in other currencies are included in the determination of net income for the respective period.

For financial reporting purposes, RMB has been translated into United States dollars ("US$") as the reporting currency. Assets and liabilities are translated at the exchange rate in effect at period end. Income statement accounts are translated at the average rate of exchange prevailing during the period. Translation adjustments arising from the use of different exchange rates from period to period are included as a component of stockholders' equity as "Accumulated other comprehensive income - foreign currency translation adjustments' Gains and losses resulting from currency transactions are included in other comprehensive income (expenses). Foreign currency translation adjustment was not material.

Revenue recognition

Revenues represent the sales of share of allocable share oil that are lifted to the Sub-Owner. Sales are recognized when the significant risks and rewards of ownership of oil have been transferred to customers.

Management fee

In connection with the arrangement of production activities, the Company pays a management fee of 2 percent on sales to the non-operating interest owner, which is debited to income as incurred.

Income taxes

HXPQ uses the liability method of accounting for income taxes under which deferred tax assets and liabilities are recognized for the future tax consequences. Accordingly, deferred tax liabilities and assets are determined based on the temporary differences between the financial statements and tax basis of assets and liabilities, using the enacted tax rates in effect for the year in which the differences are expected to reverse. As changes in tax laws or rate are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Environmental costs

The PRC has adopted extensive environmental laws and regulations that affect the operation of the oil and gas industry. The outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material. Under existing legislation, however, management believes that there are no probable liabilities that will have a material adverse effect on the financial position of the Company.

Fair values of financial instruments

The carrying amounts reported in the balance sheet for cash and cash equivalents, receivable, payable and accrued expenses approximate their fair values due to the short maturity of these instruments.

5. RELATED PARTY TRANSACTIONS

All the amounts due to non-operating interest owner and a director are interest-free, unsecured and have no fixed terms of repayment.

6. INCOME TAXES

The standard enterprise income tax rate in the PRC is 33%. HXPQ's provision for income taxes as of September 30, 2004 is detailed as follows:

	US$
Current	8,378
Deferred	131,279
	139,657

7. COMMON STOCK ISSUANCES

During the nine months ended September 30, 2004, the Company issued 90,000 shares of common stock for consulting services. The stock was valued at the closing price on the date of grant, or at $1.11 per share, yielding an aggregate value of $99, 900. The expense of the services was charged to operations in the accompany financial statements.

8. RESERVES

Pursuant to the PRC regulations and the Company's Articles of Association, HXPQ is required to transfer 10% and 5% of its net profit, as determined under the PRC accounting regulations, to statutory reserve fund until the fund aggregates to 50% of HXPQ's registered capital and to the statutory welfare fund respectively. The transfer to this reserve must be made before profit distribution to equity holders.

The statutory reserve fund shall only be used to make good previous years' losses to expand HXPQ's production operations, or to increase the capital of HXPQ. Upon approval by a resolution of equity holders' general meeting, HXP may convert its statutory reserve fund into paid-up capital in proportion to the existing paid-up capital holding, provided that the balance of the reserve fund after such conversion is not less than 25% of the registered capital.

The statutory welfare fund can only be used to provide common facilities, of which HXP retains the titles, and other collective benefits to HXPQ's employees. This fund is non-distributable than in liquidation.

As of September 30, 2004, HXPQ had no distributable reserve under the PRC accounting regulations and there were no appropriation to the statutory funds during the period.

9. DEFINED CONTRIBUTION PLAN

HXPQ provides defined contribution plan based on local laws and regulations for all qualified employees in the PRC. The PRC government is responsible for the pension liabilities to these retired employees. HXPQ is required to make annual contributions to the government-regulated pension at 21% of the employees' basic salaries. HXPQ's contributions to defined contributions plans are charged to expenses in the year to which they relate.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion contains certain statements that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that refer to expectations, projections or other characterization of future events or circumstances, and especially those which include variations of the words "believes," "intends," "estimates," "anticipates," "expects," "plans," or similar words or variations thereof, are likely to be forward-looking statements, and as such, are likely to concern matters involving risk, uncertainty, unpredictability and other factors that could materially and adversely affect the outcome or results indicated by or inferred from the statements themselves. Therefore, the reader is advised that the following discussion should be considered in light of the discussion of risks and other factors contained in this Form 10QSB and in the Company's other filings with the Securities and Exchange Commission, and that no statements contained in the following discussion or in this Form 10QSB should be construed as a guarantee or assurance of future performance or future results.

RESULTS OF OPERATIONS

For the 3 months and 9 months ended September 30, 2004, we had gross revenues of $337,858 and $1,138,095, respectively. The Company had a net loss of ($74,392) for the 3 months ended September 30, 2004, and net income of $74,912 for the 9 months ended September 30, 2004. For the period ended September 30, 2003, we had gross revenues of $179,484 and net income of $11,844. However, no meaningful comparison can be made between the results of operations for the periods ended September 30, 2003 and September 30, 2004, because we did not commence its oil and gas operations until April 1, 2003, and as of September 30, 2003, had only been operational for five months.

We expect gross revenue and net income to continue to increase on a quarter-by-quarter basis throughout the remainder of 2004 as a result of placing additional wells into production.

LIQUIDITY AND CAPITAL RESOURCES

During the 9 months ended September 30, 2004, we had net income from operations of $74,912 and also received $482,699 in new capital investments. However, during this period, cash used in operations was $479,376 and we had capital expenditures of $10,087 for purchases and development of properties and equipment and for construction in progress. As a result, as of September 30, 2004, we had cash on hand of $935, as compared to cash on hand of $19,471 as of September 30, 2003.

Management plans to rely on net cash from operations to maintain its current level of operations and to fund a gradual increase in the level of operations throughout the remainder of 2004. Although management currently anticipates that substantially all cash generated form operations will be used to fund current operations and for purposes of drilling new wells and seeking to place additional wells into service, management believes we have adequate cash resources on hand for those purposes. However, management also hopes raise additional capital which will enable us to expand operations more rapidly by drilling more new wells on its current property as well as by seeking to acquire interests in additional properties and drill new wells on those properties.

Management is currently considering the options which may be available for the purpose of raising additional working capital. These may include debt financing as well as the potential for either private or public offering and sale of our securities. However, there is no assurance that we will be able to raise additional working capital for such purposes.

OUTLOOK

During the remainder of 2004, we plans to focus its efforts on drilling and completion of additional wells on its property in the Qian 112 zone in the Jinlin Oil region, as well as on raising the capital necessary to acquire interests in additional properties. Management believes that our gross revenues will continue to increase on a quarter-by-quarter basis throughout the remainder of 2004 as the number of producing wells increases. However, Management also expects our expenses to increase as a result of using substantially all of the cash flow generated from operations to drill additional wells.

ITEM 3.

CONTROLS AND PROCEDURES

Quarterly Evaluation of Controls

As of the end of the period covered by this quarterly report on Form 10-QSB, we evaluated the effectiveness of the design and operation of (i) our disclosure controls and procedures ("Disclosure Controls"), and (ii) our internal control over financial reporting ("Internal Controls"). This evaluation ("Evaluation") was performed by our Chief Executive Officer ("CEO") and Chief Financial Officer Wang Hong Jun. In this section, we present the conclusions of our CEO and CFO based on and as of the date of the Evaluation, (i) with respect to the effectiveness of our Disclosure Controls, and (ii) with respect to any change in our Internal Controls that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect our Internal Controls.

CEO and CFO Certifications

Attached to this annual report, as Exhibits 31.1 and 31.2, are certain certifications of the CEO and CFO, which are required in accordance with the Exchange Act and the Commission's rules implementing such section (the "Rule 13a-14(a)/15d?4(a) Certifications"). This section of the annual report contains the information concerning the Evaluation referred to in the Rule 13a-14(a)/15d?4(a) Certifications. This information should be read in conjunction with the Rule 13a-14(a)/15d?4(a) Certifications for a more complete understanding of the topic presented.

Disclosure Controls and Internal Controls

Disclosure Controls are procedures designed with the objective of ensuring

that information required to be disclosed in our reports filed with the Commission under the Exchange Act, such as this annual report, is recorded, processed, summarized and reported within the time period specified in the Commission's rules and forms.? Disclosure Controls are also designed with the objective of ensuring that material information relating to the Company is made known to the CEO and the CFO by others, particularly during the period in which the applicable report is being prepared. Internal Controls, on the other hand, are procedures which are designed with the objective of providing reasonable assurance that (i) our transactions are properly authorized, (ii) the Company's assets are safeguarded against unauthorized or improper use, and (iii) our transactions are properly recorded and reported, all to permit the preparation of complete and accurate financial statements in conformity with accounting principals generally accepted in the United States
.

Limitations on the Effectiveness of Controls

Our management does not expect that our Disclosure Controls or our Internal Controls will prevent all error and all fraud. A control system, no matter how well developed and operated, can provide only reasonable, but not absolute assurance that the objectives of the control system are met. Further, the design of the control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances so of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision -making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of a system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all potential future conditions. Over time, control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Scope of the Evaluation

The CEO and CFO's evaluation of our Disclosure Controls and Internal Controls included a review of the controls' (i) objectives, (ii) design, (iii) implementation, and (iv) the effect of the controls on the information generated for use in this annual report. In the course of the Evaluation, the CEO and CFO sought to identify data errors, control problems, acts of fraud, and they sought to confirm that appropriate corrective action, including process improvements, was being undertaken. This type of evaluation is done on a quarterly basis so that the conclusions concerning the effectiveness of our controls can be reported in our quarterly reports on Form 10-QSB and annual reports on Form 10-KSB. The overall goals of these various evaluation activities are to monitor our Disclosure Controls and our Internal Controls, and to make modifications if and as necessary. Our external auditors also review Internal Controls in connection with their audit and review activities. Our intent in this regard is that the Disclosure Controls and the Internal Controls will be maintained as dynamic systems that change (including improvements and corrections

PART II - OTHER INFORMATION

ITEM 1.

LEGAL PROCEEDINGS

None.

ITEM 2.

CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3.

DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5.

OTHER INFORMATION

None

ITEM 6.

EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

The following exhibits are filed herewith:

31.1

Certifications pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2

Certifications pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1

Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2

Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on 8-K
None

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHINA NORTH EAST PETROLEUM HOLDINGS LIMITED

By /s/
Wang Hong Jun

Chief Executive Officer

By /s/
Wang Hong Jun

Chief Financial Officer