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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)

**SUPPLEMENTAL ANNOUNCEMENT IN RESPECT OF
THE STOCK EXCHANGE’S NOTICE TO
SUSPEND TRADING IN THE COMPANY’S SHARES**

This announcement is made further to the announcement (the “**Announcement**”) of the Stock Exchange’s notice to suspend trading in the Company’s Shares of the Company made earlier on 13 December 2021. Unless otherwise defined in this announcement, capitalised terms and expressions used in this announcement shall have the same meanings as those defined in the Announcement.

The Directors would like to clarify that the Company has received the Letter from the Stock Exchange, which serves as a notice that the Stock Exchange has the Decision after having considered, among others, the following:

1. The Company is principally engaged in (i) trading of liquefied natural gas (“**LNG**”) products (the “**LNG Business**”); (ii) general trading business (including market sourcing of technical and electronic products) (the “**General Trading Business**”); (iii) money lending (the “**Money Lending Business**”); and (iv) investment in financial assets (the “**Securities Trading**”). The Company operates the LNG Business as its primary business operations.
2. The Stock Exchange is concerned that the LNG Business is not a business of substance. The General Trading Business and the Money Lending Business appeared to have been suspended and the Company intended to resume these businesses subject to the prevailing market conditions. In any case, the Stock Exchange is concerned on the substance of these two businesses. The Company has either been loss-making or generating minimal profits since the financial year ended 31 March 2017 (“**FY2017**”). The situation does not appear to be a temporary downturn or decline. The Company sought to expand the LNG Business to meet Rule 17.26 of the GEM Listing Rules but the business plans are preliminary and without concrete details. Overall, the Stock Exchange remains concerned that the Company’s businesses are not viable and sustainable.

LNG BUSINESS

3. The Stock Exchange has concerns that the LNG Business is not a business of substance having regard to its business model and limited customer base:
- (i) The Company sources LNG from its suppliers for onwards sale to its customers without further processing. The value-added by the Company is limited, as reflected by the thin profit margin of this business. The customers purchase LNG through the Company instead of directly from the Company's suppliers because the Company offered more favourable payment and credit terms than the Company's suppliers. While the Company submitted that the LNG Business is not merely trading as it provides technical consultancy services to its customers and distributes LNG equipment, the Company only recorded minimal consultancy income of HK\$6.4 million, nil and HK\$25,000 between the financial years ended 31 March 2019 (“**FY2019**”) and 31 March 2021 (“**FY2021**”) and minimal revenue from the distribution of LNG equipment since its commencement in the financial year ended 31 March 2022.
 - (ii) This business has limited number of customers and its customer base is highly concentrated. There were only four, two and two customers for each of FY2019 to FY2021, respectively, with over 87%, 92% and 88% of the revenue of this business generated from the largest customer, being Ningbo Luyuan Liquefied Natural Gas Development Co., Limited (寧波綠源液化天然氣發展有限公司) (“**Ningbo Luyuan Development**”) in FY2019 and Ningbo Luyuan Natural Gas & Power Company Limited (寧波綠源天然氣電力有限公司) (“**Ningbo Luyuan Power**”) in the financial year ended 31 March 2020 (“**FY2020**”) and FY2021. Although the Company has solicited two new customers for this business since July 2021, these new customers have only contributed minimal revenue of HK\$1.6 million. With the Company's proposal to enter into a new LNG supply agreement with Ningbo Luyuan Power in January 2022, it appears that the customer base of this business would continue to be limited and highly concentrated.

4. The Company entered into a lease agreement for seven LNG trucks and is in negotiation with a landlord for the lease of a warehouse for LNG storage, with a view to improving the operational efficiency and profit margin of this business. The Company is also in discussion with a business partner for cooperation in the carbon neutral energy management business. These business plans are all preliminary, generic and without concrete details. The Company has not demonstrated how these business plans would substantially improve this business. The Stock Exchange remained concerned on the viability and sustainability of this business.

GENERAL TRADING BUSINESS

5. The General Trading Business recorded no revenue and appeared to have been suspended since FY2021. While the Company submitted that it intended to resume the General Trading Business subject to the prevailing market conditions, the Company did not provide any specific plans for this business. Indeed, the Company submitted that it would focus on the development and expansion of the LNG Business. In any event, the Stock Exchange has concerns that the General Trading Business is not a business of substance having regard to its business model and limited customer base. The Company sources electronic products for its customers with limited value-added as no further processing is required. This business had only four and one customers in FY2019 and FY2020, and had recorded segment losses since FY2020. The Stock Exchange is concerned on the viability and sustainability of this business.

OTHER BUSINESSES

6. The Money Lending Business appeared to have been suspended since FY2020. The Company intended to resume this business but it did not provide any specific plans. In any case, the Stock Exchange has concerns that this business is not a business of substance as it has all long been operated in a minimal scale with minimal number of customers and revenue.
7. As regards Securities Trading, under Rule 17.26(2) of the GEM Listing Rules, proprietary trading and/or investment in securities are normally excluded when considering an issuer's compliance with Rule 17.26(1) of the GEM Listing Rules.

LEVEL OF ASSETS

8. As at 30 September 2021, the Company had total assets of HK\$424 million, comprising mainly of trade and other receivables, cash and cash equivalents and financial assets. The Company also planned to recover an outstanding trading balance of HK\$18 million by December 2022. In view of the Stock Exchange's concern on the substance and viability and sustainability of the Company's businesses as mentioned above, the Stock Exchange considers that these assets could not support a sufficient level of operations to warrant a continued listing.

IMPACT OF COVID-19

9. The Company alleged that its businesses have been affected by the COVID-19 outbreak as the pandemic has disrupted the businesses in the oil and gas industries and the Company has adopted a more conservative approach in accepting customer orders and extension of credit limit, both factors resulted in a decrease of customers of the LNG Business. The COVID-19 outbreak has also affected the General Trading Business and the Money Lending Business as the pandemic has resulted in the reduction in customers' demand for electronic products and the Company has adopted a more prudent approach in taking up new money lending business. However, as mentioned above, all these businesses are not businesses of substance. The Company has been loss-making or generating minimal profits since FY2017. The situation does not appear to be a temporary downturn or decline. Overall, the Company has failed to demonstrate that, but for COVID-19, it would have a business that is viable and sustainable and has substance.

The Company will request that the Decision be reviewed by the GEM Listing Committee within 7 business days after received the Letter (i.e. on or before 21 December 2021). The Company is still in the process of reviewing the Letter and has been discussing the same with the Company's legal and/or financial advisers, and would actively consider lodging a request for the Decision be referred to the GEM Listing Committee for review.

Save for the above supplemental information mentioned, all the information in the Announcement remains unchanged. Further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the GEM Listing Rules.

Shareholders who have any queries about the implications of the Decision are advised to obtain appropriate professional advice. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Chinese Energy Holdings Limited
Mr. Chen Haining
Chairman and Chief Executive Officer

Hong Kong, 13 December 2021

As at the date hereof, the executive Directors are Mr. Chen Haining (Chairman and Chief Executive Officer of the Company) and Ms. Tong Jiangxia; and the independent non-executive Directors are Mr. Luk Chi Shing, Mr. Leung Fu Hang and Mr. Chen Liang.

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 knowledges and beliefs, 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.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven (7) days from the date of its posting and on the website of the Company at www.chinese-energy.com.