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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)

**DECISION OF THE GEM LISTING REVIEW COMMITTEE
AND
SUSPENSION OF TRADING**

This announcement is made by Chinese Energy Holdings Limited (the “**Company**”) pursuant to Rule 17.10(2)(a) of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company dated 13 December 2021, 21 December 2021, 12 April 2022 and 22 April 2022 (the “**Announcements**”) in relation to, among others, (i) the decision (the “**LD’s Decision**”) of the Listing Division (the “**Listing Division**”) of the Stock Exchange that the Company has failed to maintain a sufficient level of operations and assets as required under Rule 17.26 of the GEM Listing Rules (“**GEM Rule 17.26**”) to warrant the continued listing of the Shares, and that trading in the Shares shall be suspended under Rule 9.04(3) of the GEM Listing Rules, (ii) the Company’s request to refer the LD’s Decision to the GEM Listing Committee (the “**GEM Listing Committee**”) of the Stock Exchange for review pursuant to Rule 4.06(1) of the GEM Listing Rules, (iii) the GEM Listing Committee’s decision (the “**GLC’s Decision**”) to uphold the LD’s Decision, and (iv) the Company’s request for the GLC’s Decision to be referred to the GEM Listing Review Committee (the “**GEM Listing Review Committee**”) of the Stock Exchange for review pursuant to Rule 4.06(2) of the GEM Listing Rules. Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

The Board of Directors wishes to inform the Shareholders and Potential Investors that the review hearing of the GLC's Decision by the GEM Listing Review Committee was held on 28 June 2022 (the "**LRC Review Hearing**"). On 14 July 2022, the Company received a letter (the "**Decision Letter**") from the Stock Exchange notifying the Company that the GEM Listing Review Committee, having carefully considered all the facts and evidence, and all the submissions (both written and oral) presented by the Company and the Listing Division, decided to uphold the GLC's Decision to suspend trading in the Shares under Rule 9.04(3) of the GEM Listing Rules (the "**LRC's Decision**"). The GEM Listing Review Committee was of the view that the Company failed to demonstrate it carried out a business with a sufficient level of operations and assets of sufficient value to support its operations as required under GEM Rule 17.26 to warrant the continued listing of the Shares.

REASONS FOR THE LRC'S DECISION

According to the Decision Letter*, the GEM Listing Review Committee arrived at the LRC's Decision for the following reasons:

1. Having considered all of the submissions and evidence presented (both written and oral), the GEM Listing Review Committee found that, at the time of the LRC Review Hearing, the Company had not demonstrated to the GEM Listing Review Committee's satisfaction that it carried out a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of its securities. The GEM Listing Review Committee made the following observations in this regard.
2. The Company acknowledged at the LRC Review Hearing that for the past few years it was solely concentrating on the LNG Business and had suspended all other businesses. Notwithstanding the Company's sole focus on the LNG Business, the revenue for this business recorded a marked decline from HKD429 million for FY2021, to HKD330 million for FY2022, despite the fact that new customer contracts with minimum offtake requirements had been entered into since the third quarter of 2021.
3. At the same time, the Company's business had not been generating profits. While the Company recorded a small net profit for FY2022 of HKD329,000 after having recorded a net loss for FY2021 of HKD10 million, the GEM Listing Review Committee found that such net profit for FY2022 mainly resulted from an income of HKD4.3 million from a transaction recorded as a "value-added handling fee income" in the audited results for FY2022. The Company acknowledged at the LRC Review Hearing that this income was derived from a power generator purchase the Company helped to arrange for one of its customers. Without this handling fee income, the profits generated from the Company's core LNG Business would not have been sufficient to generate a net profit in FY2022. Moreover, although the Company claimed that this income was considered as derived from its technical consultancy services, the Company did not provide any evidence that this type of service and income would be recurring.

* *All figures quoted from the Decision Letter are approximate figures.*

4. It was clear to the GEM Listing Review Committee that the Company operated with a very small profit margin. The GEM Listing Review Committee noted that the LNG Business segment had only generated a small profit margin of 1.8% for FY2022 which represented a further decline from the segment profit margin of 2.2% recorded for FY2021. This was mainly due to the Company operating a straightforward business of selling LNG it acquired from LNG suppliers to end customers with very limited value-add. The Company acknowledged at the LRC Review Hearing that due to its business model, its ability to increase its profit margin was very limited: if it attempted to raise its own profit margin, it would risk that its customers would obtain their LNG from competitors of the Company as the Company's LNG prices would no longer be competitive.
5. The Company's business relied on a very small number of customers and revenue was highly concentrated and dependent upon the top customers. For FY2021, and FY2022, the top two customers had contributed well over 90% of the Company's revenue. Despite the Company's submissions that it had on-boarded several new customers since July 2021 and that the contracts for such new customers would require a high off-take quantity of LNG, the Company acknowledged at the LRC Review Hearing that as of March 2022, new customers had only contributed revenue of HKD1.6 million to the Company's overall revenue. The GEM Listing Review Committee therefore found that the Company's revenue remained overly reliant on a very small number of customers.
6. The GEM Listing Review Committee was also not convinced that the Company had presented reliable forecasts that would demonstrate the Company's ability to transform its current business into one with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of its securities.

7. The Company had forecasted that for FY2023 and FY2024 it would achieve a revenue of HKD1.5 billion for each financial year, respectively. Based on the annual results for FY2022, the GEM Listing Review Committee was concerned that the Company's forecast would not be achievable. The GEM Listing Review Committee noted that the Company's prior forecast submitted to the GEM Listing Committee had forecasted revenue of HKD746 million for FY2022. However, based on the annual results for FY2022, the Company was only able to achieve a revenue of HKD330 million, i.e. less than half its forecast made at the GEM Listing Committee stage. The GEM Listing Review Committee was accordingly concerned that based on the Company's inability to achieve the revenue figures forecast for FY2022 and the small amount of revenue contributed by the new customers for FY2022, the forecast revenue figures for FY2023 and FY2024 would not be achievable.
8. The GEM Listing Review Committee was also concerned that the Company would be unable to achieve its forecast profit margins of around 3.7% for the LNG Business for FY2023 and FY2024 as the Company admitted at the LRC Review Hearing that there was no contractual basis for the 3.7% profit margin and such estimate was made based on the Company's past experience. The GEM Listing Review Committee noted however that the segment profit margins for the LNG business were only 1.8% and 2.2% for FY2022 and FY2021, respectively.
9. Even when taking into account the Company's plans to provide further value-added services and thereby increase its profit margin, the GEM Listing Review Committee was not convinced that this would significantly improve the Company's overall position. The Company had calculated a profit margin of 3.7% for its sale of LNG by utilizing transportation provided by the Company through leased LNG trucks. At the LRC Review Hearing, the Company acknowledged, however, that its customers were not mandated to use transport services offered by the Company. It was therefore unclear whether the Company would succeed in generating revenue from the value-added transportation services going forward. In any event, the Company had only forecast an annual revenue of HKD54.9 million for each of FY2023 and FY2024 to be generated for LNG sales with the value-added transport services (which would only generate minimal profits of HKD2 million based on the Company's forecast). The Company's plans for providing value-added transport services would therefore not substantially change its business outlook and the Company's ability to improve its profit margins.

10. The GEM Listing Review Committee noted the Company's submissions in support of the forecast figures that some of the contracts with its new customers included binding minimum offtake quantities. According to the Company, the new customers were therefore required to offtake a certain LNG quantity per annum which in turn would mean the Company would be able to reliably create LNG sales. The GEM Listing Review Committee noted, however, that the same contracts did not define a price or profit margin. Further, despite the Company having identified some of the new customers as early as July 2021, the Company acknowledged at the LRC Review Hearing that only HKD1.6 million in revenue had been generated from such new customers for FY2022. The GEM Listing Review Committee was therefore concerned whether the high contractual quantities for LNG sales would be achievable in the short term and even if the quantities were achieved, whether the forecast margins could be achieved given that the new customer contracts require prepayment instead of allowing a credit period.
11. Finally, on assets, the GEM Listing Review Committee shared the Listing Division's concerns that the Company had failed to demonstrate it had sufficient assets to support its operations to warrant the continued listing of its securities given the Company's continued failure to generate sufficient profits in its core business to cover its operating expenses.
12. For the avoidance of doubt, in relation to the Company's submissions on the impact of COVID-19 and its decision to take a more conservative approach to its business expansion, the GEM Listing Review Committee noted that the Company had not demonstrated that, but for the direct impact of COVID-19, it would have been able to operate a business that warranted the continued listing of its securities. The GEM Listing Review Committee noted that many of the factors negatively affecting the Company's business outlook, such as the small profit margin and the high concentration of business with one or two main customers were present for the last six years, i.e. during a time well before the COVID-19 pandemic could have affected the Company's business.

The GEM Listing Review Committee considered overall that at the time of the LRC Review Hearing, the Company had failed to demonstrate it carried out a business with a sufficient level of operations and assets of sufficient value to support its operations to warrant the continued listing of its securities for the purposes of GEM Rule 17.26. The GEM Listing Review Committee noted that Company would have 12 months to remedy this situation by bringing its plans and forecasts to fruition and demonstrating its compliance with GEM Rule 17.26.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on Friday, 15 July 2022. 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 and Potential Investors who have any queries about the implications of the dealing of the Shares are advised to obtain appropriate professional advice.

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

Hong Kong, 15 July 2022

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 Listed Company Information” page of The Stock Exchange’s website at www.hkexnews.hk for at least seven (7) days from the date of its posting and on the website of the Company at www.chinese-energy.com.