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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)

(I) INSIDE INFORMATION BUSINESS UPDATE; (II) QUARTERLY UPDATE ON STATUS OF RESUMPTION; AND (III) CONTINUED SUSPENSION OF TRADING

Financial adviser to the Company



瓏盛資本有限公司
Draco Capital Limited

This announcement is made by Chinese Energy Holdings Limited (the “**Company**”) pursuant to the Rules 17.10(2)(a) and 17.26A 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 (the “**Announcements**”) of the Company dated (i) 15 July 2022 in relation to the decision of the GEM Listing Review Committee of the Stock Exchange and suspension of trading in the Shares; (ii) 22 July 2022 in relation to the resumption guidance (the “**Resumption Guidance**”) for the Company as set out in a letter from the Stock Exchange; (iii) 12 April 2022 in relation to decision letter of the GEM Listing Committee dated 11 April 2022; (iv) 15 July 2022 in relation to decision letter of the GEM Listing Review Committee dated 14 July 2022 (the “**14 July 2022 Decision**”) and suspension of trading; as well as (v) 14 October 2022, 13 January 2023 and 14 April 2023 in relation to the first, second and third quarterly updates on the status of resumption in trading in the Shares. Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

RESUMPTION GUIDANCE

As disclosed in the Resumption Guidance on 22 July 2022, the Company received from the Stock Exchange the following Resumption Guidance for the Company:

- demonstrate the Company's compliance with Rule 17.26 of the GEM Listing Rules; and
- announce all material information for the Shareholders and investors to appraise the Company's position.

Under Rule 9.14A(1) of the GEM Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 12 months. In the case of the Company, the 12-month period expires on 14 July 2023. If the Company fails to remedy the issues causing its trading suspension, fulfill the Resumption Guidance and fully comply with the GEM Listing Rules to the Stock Exchange's satisfaction and resume trading in the Shares by 14 July 2023, the Listing Division of the Stock Exchange will recommend the GEM Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing. Under Rules 9.14 and 9.15 of the GEM Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

OPINIONS OF THE BOARD TOWARDS THE 14 JULY 2022 DECISION

The Company submitted a resumption proposal to the Stock Exchange on 14 July 2023 (the "**Resumption Proposal**"). The Board regrets the 14 July 2022 Decision and considers that the GEM Listing Review Committee has not thoroughly taken into account of the evidence submitted by the Company for the purpose of the hearings on 30 March 2022 and 28 June 2022 (collectively, the "**Company Hearing Submissions**"), in particular:

Business of the Group

Liquefied natural gas ("**LNG**") is natural gas that has been cooled down to liquid form for ease and safety of non-pressurized storage or transport. Natural gas ("**NG**") is flammable gas, consisting largely of methane and other hydrocarbons, occurring naturally underground.

The Company has been operating its LNG business since 2016 and in the recent year, the Company is providing NG to its customers which is an extension of LNG.

Per submission by the Company on 19 May 2022, it is a common phenomenon across the industry that downstream customers and end users of a smaller scale will have difficulties in gaining access to reputable suppliers to ensure a stable and up to standard supply of LNG and NG because of:

- (i) imperfect market information on the supplier side regarding the supplier's service quality, capacity and business terms;
- (ii) insufficient efforts and professionalism in (a) assessing demand based on market condition and (b) planning and liaising with suppliers on the upcoming supply of LNG and NG regarding the supply quantities, timing and logistics, including required storage facilities and transportation equipment for LNG distribution; and
- (iii) lacking of suitable personnels in negotiating appropriate business terms and building relationship with suppliers.

Therefore, the Company's customers need to rely heavily on the Company in providing supply chain management service, including assessment of demand of customers and planning of corresponding supply, matching of suitable suppliers, logistics arrangement and negotiation of terms of the supply. Therefore, the Company plays a vital role in the LNG and NG supply chain:

- (i) Downstream customers and end users need to rely on the Company in providing supply chain management service as mentioned above, to benefit from gaining access to quality LNG and NG from reputable suppliers who are generally reluctant to deal directly with them due to one or more of the reasons such as:
 - (a) the reputable LNG and NG suppliers do not have enough manpower deployment and resources to handle the downstream customers and end users' small quantity orders;
 - (b) their lacking of professionals in communication and negotiation of business terms and liaising with suppliers regarding the supply quantities, logistics and the required facilities and equipment; and
 - (c) their difficulty in meeting the prepayment requirement and relatively short credit limits set by the reputable suppliers because of their relatively smaller scale of operations and weaker cash position in general.

- (ii) The Company's upstream suppliers can rely on the Company in providing and leverage the Company's business network and clientele and centralised supply chain management to benefit from:
 - (a) procuring more sales orders through centralised management of the small-medium scale downstream merchants or customers by the Company;
 - (b) better managed credit risks from a diversified portfolio of generally small-medium scale downstream merchants or customers; and
 - (c) leverage of the Company's resources on sales and marketing activities and technical skill to reach downstream customers and provide ongoing customer service and technical support to the downstream merchants or customers.
- (iii) Through the Company's integration of upstream and downstream resources, the Company is able to optimize the LNG and NG supply chain with a higher supply and distribution efficiency, which performs a similar function of other "consumer-to-producer" supply chain platforms in the PRC. By grouping orders from downstream customers and matching them with upstream supply, thereby achieving centralised supply chain management with higher efficiency and better customer service; and
- (iv) Apart from purchasing LNG and NG from suppliers prior to receiving customer orders, the Company also purchases LNG and NG based on the expected demand and the prevailing market prices of LNG and NG, so as to come up with rather reasonable and stable price of LNG and NG for the customers.

Business Model

The supply chain management service remains the main focus of the Group. The Group has years of experience in the supply chain management service in the industry and has knowledge of a variety of suppliers and customers. After understanding the respective needs of the Company's customers, the Group sells LNG and NG procured from the suitable suppliers, and it takes advantage of the business networks and resources in order to assist small and medium-sized enterprises of various industries to minimise the overall operations cost. Owing to the financial background of the Group and the great demand for supply chain service in mainland China, the Group has established many strategic partnerships with other supply chain companies, so as to undertake the operations of purchase and sale of LNG and NG.

Procurement of LNG and NG

The Company considers that it is not practical to collect and procure LNG from every LNG producers whose factories are located in different countries, taking into account the associated operating costs and manpower deployment. Due to the different production schedule and output of different producers in different locations, such operations do not ensure a steady supply of LNG and increase the operation risk. Therefore, in order to implement more competent management of the operations of the Company, it generally purchases from bulk LNG suppliers. The bulk LNG suppliers are capable of sourcing LNG from different LNG producers and will ensure that the LNG supplied meets the requirements in terms of concentration, calorific value, clarity, etc. While for NG, as there are a number of NG producers in PRC and the delivery is through the national natural gas pipeline network, the Company is capable to source NG from PRC producers.

The procurement and sales team of the Group, which consists of 9 employees as at the date of this submission, obtains the latest domestic LNG and NG market demand through research and study of the domestic LNG and NG market in the PRC.

After obtaining relevant market information, the Company decided to procure LNG and NG from suitable suppliers through comprehensive assessment of their qualifications and operating conditions, capital and operational strength.

The Company will enter into procurement agreements with the relevant suppliers through arm's length negotiation. In the relevant procurement agreements, the Company will set an initial annual quantity of LNG or NG that the Company expects to procure and reserve.

After entering into the procurement agreements between the parties, the relevant suppliers will give the Company preliminary quotations for the LNG or NG whenever there is any change in price. The Group's procurement and sales team will then select the appropriate quantities of LNG and NG from the said quotations. The final price will be determined by the Company and suppliers accordingly.

The Company will then place the formal procurement orders with the relevant suppliers. Upon receipt of the formal procurement orders from the Company, the suppliers and/or the Company will arrange to supply the respective LNG and/or NG to the designated storage facilities and/or through pipeline delivery.

After the LNG and/or NG is delivered to the designated locations, the aggregate quantities and quality of the LNG and/or NG will be final-checked. The staff of the Group's procurement and sales team shall participate in the entire aforementioned procedures and shall be responsible for monitoring smoothness of the whole process and ensuring that LNG and/or NG is delivered to the Group's customers securely and expeditiously.

Sale of LNG and NG

Likewise, the Company does not consider it practical to sell and transport LNG and NG to every end customer which have demand for LNG and NG not in large quantities at a time, taking into account the associated operating costs and manpower deployment. Such operations increase conveyance costs and do not ensure that the LNG and NG supplied by the Company is in the best condition when delivered to those end customers. Therefore, in order to facilitate more efficient management of the operations of the Company, the Company generally sells to bulk LNG and NG merchants and power plants in the PRC. The relevant bulk LNG and NG merchants have adequate logistics capabilities and/or consumption of LNG and NG and the ability and network to access local individual domestic market vendors and end customers.

The Company approaches potential bulk LNG and NG merchants in the PRC and conducts comprehensive assessment of their qualifications and operating conditions, capital and operational strength. The Company will enter into sales agreements with the relevant merchants through arm's length negotiation. In the relevant sales agreements, the merchants will set an initial annual quantity of LNG and NG that they expect to procure.

The Company will inform any change on quotations for the LNG and/or NG to those merchants timely and the merchants will place their orders to the Company, including quantities of the LNG and/or NG and delivery location. The final price and location of delivery will be agreed by the Company and merchants accordingly.

During the process of the delivery of the LNG and NG to the designated location, the staff of the Group's procurement and sales team shall participate in the procedures and shall be responsible for monitoring and ensuring that LNG and/or NG is delivered to the merchants securely and expeditiously.

Strengths

The Company has more than 7 years of track record in the operations of supply chain management service as mentioned above and each of the executive directors have years of experience in the energy business. The Company believes that its strength lies in its extensive experience in LNG and NG market analysis in the PRC and also its ability to identify potential suppliers and merchants of LNG and NG. The Group's procurement and sales team maintains cordial relationships with domestic merchants in the PRC and is able to accurately source LNG and NG from suppliers by efficiently gathering the potential domestic demand.

PRC is a vast country and people from different regions have different expectations and preferences for the supply chain service of LNG and NG. However, the supply of LNG and NG is affected by seasonal and other various factors. While the suppliers of LNG and NG have the ability to source LNG and NG from other countries and domestic producers and domestic merchants have network of end users, there is still a certain amount of disparity between suppliers and customers in terms of the supply and demand of LNG and NG.

The Company believes that it is more cost effective, which in term more beneficial for the Company and the Shareholders, to act as a gateway between those LNG and NG suppliers and domestic merchants or users with bulk purchases, rather than making excessive investment in logistics operations and/or end customers relationships management.

By aggregating the varying clientele requirements, the Company is able to purchase in bulk from the LNG and NG suppliers, which in turn results in more favourable prices and hence allows the Company to enjoy higher pricing privileges on the LNG and NG the Company offers to those domestic merchants and power plants. Meanwhile, as the Company is able to procure in bulk from the suppliers, thus benefiting the domestic merchants and power plants and generating their demands for the LNG and NG the Company supplies.

Per submission by the Company on 19 May 2022 and further updates in this announcement, the Company operates the LNG and NG Business by sourcing LNG and NG from its reputable suppliers for onward sale to its downstream customers and, in line with industry norms and other industry peers, it does not and the customers do not need it to further process the LNG and NG that is supplied. Notwithstanding this business model which is fairly standard and followed by its peers, the Company plays a key role in the LNG and NG supply chain through matching the supply of LNG and NG from upstream gas producers with the demands of downstream customers and LNG and NG end users and providing supply chain management service as mentioned above. This is further enhanced amid the development of the natural gas industry in the PRC and through the Company's various competitive strengths:

(i) *Management team*

The experience and connections of the Company's management team led by Mr. Chen Haining (“**Mr. Chen**”), the chairman, chief executive officer and an executive director (the “**Director**”) of the Company are valuable. Mr. Chen graduated with a Bachelor's degree in engineering at the Department of Electrical Engineering of Chongqing Jianzhu Gongcheng Institute* (重慶建築工程學院) (now known as Chongqing University) and has more than 17 years of experience in the LNG and NG and heat generation engineering industry. Mr. Chen is supported by a dedicated LNG and NG sales team with in-depth industry expertise and has extensive business connections.

Another executive director of the Company, Ms. Tong Jiangxia, is a graduate from China University of Geosciences* (中國地質大學) majoring in accounting, Ms. Tong has more than 21 years of experience and has substantial marketing and management experience in various companies in the PRC including a company listed on GEM.

Further, together with Mr. Wei Yonglong, the director and general manager of the Company's operating subsidiary, who has more than 14 years of experience in the supply chain of oil and gas and project management of construction work, the Group has accumulated extensive knowledge and insights on the LNG and NG industry in the PRC and is familiar with how it can strengthen its position in the LNG and NG supply chain as a bridge between the upstream suppliers and downstream customers and end users. Further details of the background and experience of the members of the Company's management team and LNG and NG sales team are included in the Company's submission of Resumption Proposal.

(ii) Cooperative relationship with its customers and suppliers

The Company values its cooperative long-term relationships with suppliers and customers, especially in the sourcing and sales of LNG and NG. The ability to secure a reliable, stable and quality supply of LNG and NG and customers is one of the most crucial aspects of the Company's supply chain management services business. Therefore, over the years, the Company has built up strong, solid, stable and long-term relationships with several suppliers and customers.

Suppliers

As stated above, it is not practical to collect and procure LNG from every LNG producers which factories in different countries, after taking into account the associated operating costs and manpower deployment. For competent management of its operations, the Company makes its procurement from bulk LNG suppliers. While for NG, there are a number of NG producers in PRC and the delivery is through the national natural gas pipeline network, the Company is capable to source NG from PRC producers.

Several of the bulk LNG suppliers which maintains long-term relationships with the Company are stated in Resumption Proposal. The Company has retained its long-term cooperating relationship with them for around 7 years.

The above companies have years of experience specialising in the procurement and sale of LNG imported into the PRC. Besides collecting and procuring LNG from a global scale, some of the suppliers also operates their own NG upstream drilling and producing business. Besides, the Company also cooperates directly with domestic NG producers and bulk suppliers for the supply of NG as stated in Resumption Proposal.

The main reasons for such long-term cooperating relationship between the Company and the suppliers include the competitive prices of the suppliers and they also offer good standards of performance throughout the sourcing process and after-sales service.

Customers

As abovementioned, the Company does not consider it practical to sell and transport LNG and NG to every end customer, including, but not limited to, power plants, industrial producers, transportation operators, constructors, households and restaurants etc., which have demand for LNG and NG not in large quantities at a time, taking into account the associated operating costs and manpower deployment. Therefore, in order to facilitate more efficient management of the operations of the Company, the Company generally sells to bulk LNG and NG merchants or power plants in the PRC.

The Company has maintained long-term and new cooperative relationship with several bulk LNG and NG merchants in the PRC and further details are stated in the Resumption Proposal. The sales contracts are usually with contract period ranging from one to three years.

All of them has years of experience specialising in sale of LNG and NG to end customers of their regions in the PRC. The reasons for the business relationships with these bulk LNG and NG merchants include their sale and customer network, as well as their comprehensive logistics capability to ensure accessibility to different customers and delivery of LNG and NG to customers in the highest quality and efficient manner.

(iii) Sales efforts

The Company's sales efforts in sourcing sufficient demand for and supply of LNG and NG in order to offer sound supply chain management service and negotiation of more favourable contract terms, including payment and credit terms, for its customers.

(iv) Value-added services

In addition to sourcing for LNG and NG, the Company has ability to provide other value-added services to its customers, such as after-sales, technical consultancy, LNG storage and other ancillary services, for which the Company believes to be essential in attracting customers to purchase LNG and NG from the Company.

The Company is committed to providing quality LNG and NG which conforms to national standards to its customers and to this end, the Company has established and implemented clear and strict quality control guidelines and procedures to ensure that the LNG and NG sourced by the Company and sold to its customers is able to satisfy the industry quality requirements as stipulated in the LNG and NG customer contracts.

As an integral feature of the Company's after-sales service, the Company's sales and operations team handles feedback from its customers and takes follow-up actions as requested in a timely manner. In case of any complaints relating to supply of the LNG or NG and the overall services provided, the Company will conduct investigations and take all reasonably necessary steps with a view to resolving the dispute amicably. The Company is of the view that such measures preserve the integrity of its quality commitments and help instil loyalty in its customers.

Going forward, the Company is strengthening its capability in offering LNG technical consultancy services with an aim of developing such services into revenue stream. The Company seeks to provide the Company's LNG customers with comprehensive technical consultancy services, including regular LNG equipment maintenance, safety inspection, LNG equipment optimisation and operator training. Moreover, the Company seeks opportunities to develop businesses in petrochemical products supply chain, upstream NG operations and international LNG procurement service.

(v) Listing status

In normal circumstances without trading suspension, the Company's status as a listed company in Hong Kong gives it more credibility and makes it easier to establish relationships with major LNG and NG suppliers.

Business development

With the lead of the management team, the Company is actively developing current business to diversify risks among different customers and broaden the sources of income of the Company. Having taken the Company adequate resources into account, the Company continues with its business operations, and continue to focus on its corporate objective to develop current businesses in order to strengthen its competitiveness, integrate its capital resources and contribute a maximum wealth to its equity holders:

(i) NG

The Company has been operating its LNG business since 2016 and in the past one year, through the effort of the sales and operations team and with the track record of the Company, the Company began selling NG to its new customers. The Directors believe that through the development of NG sales, the Company can further broaden the overall customers base and since LNG and NG are the extension of energy source.

(ii) LNG storage facilities/warehouse

The function of LNG storage facilities is similar to warehouses of businesses involving transition of physical goods. The related operation and internal control process includes, but not limited to, (a) keeping track of the inflow and outflow of the LNG storage with proper records and performing cost accounting of the LNG storage inventory generally on the first in, first out basis, (b) regular stock-taking procedures of the LNG inventory, (c) carrying out assessment on the valuation of LNG inventory at each period end, and (d) ensuring that the operation of the LNG storage tank has obtained relevant administrative permits and safety approvals whenever necessary.

The Company leased additional LNG storage tank facility with 900 cubic meters of volume for a period of three years from June 2023 with the following plans and objectives:

- (a) through the storage facilities, the transportation of LNG by large trucks can be shifted to smaller trucks and leverage the Company's current LNG business and develop the market of small-medium size end-customers through supplying them with LNG from the additional LNG storage facilities and smaller trucks in the future;
- (b) additionally, having LNG storage facilities can help the Group take advantage of price fluctuations in the market by increasing the storage of LNG when prices are low; and
- (c) any delay in delivery, or downtime during operation, will have a direct impact on the ability to meet demand, having LNG storage facilities can help the customers ensure a reliable supply of LNG by allowing them to store enough LNG to meet their needs even during periods of high demand.

Moreover, the Company is seeking appropriate timing and opportunities to develop related businesses in:

- (i) petrochemical products supply chain and the subsidiary Shenzhen Jieya Supply Chain Company Limited* (深圳捷亞供應鏈有限公司) has been setup for such purpose; and
- (ii) upstream NG operations in Sichuan in view of the abundant NG resource in Sichuan and the subsidiary Sichuan Huaya Century Company Limited* (四川華亞世紀有限公司) has been setup for such purpose; and
- (iii) international LNG procurement service in Hong Kong.

Unlike fast moving consumer goods industry, the Company is operating in energy industry undergoing structural changes to clean energy with years of long investment and operating cycle. The development of the Company's business would take time to become mature.

However, due to the continuity of the outbreak of Coronavirus Disease 2019 (“**COVID-19**”), the Group had experienced difficulties in the commencement of business development plans until the recent months when the situation has improved, and some business development plans as mentioned above has commenced. The Directors are of the view that the listing resumption plan of the Company could facilitate the financing activities and expedite business development plan of the Company.

Consistent financial performance and forecast

Financial performance

The Company is of the view that its financial performance for the years ended 31 March 2022 and 2023 also demonstrates its compliance with GEM Rule 17.26.

For the year ended 31 March 2023, the Group continued its supply chain management services of LNG and has commenced its supply chain service of NG. The Group also expanded its operations of storage tank facilities to further stabilise the supply of LNG and aim to sell LNG to certain end customers. However, due to the continuous of the outbreak of COVID-19, the Group had experienced difficulties and delays of the development plan.

There is no other company with exactly the same customer mix, geographic location, business scale and operations. While for reference purpose, the Company's gross profit margin is within a reasonable range as compared to peers with similar business operations of supply chain service in energy and gas sector of the most recent reported financial year:

Company name	Gross profit/(loss) margin of the supply chain and related service in energy and gas business	Net profit/ (loss) margin (after taxation)	Financial year end
Yuan Heng Gas Holdings Limited (Stock code: 332)	3.4%	(0.38)%	31 March 2023
China LNG Group Limited (Stock code: 931)	(7.6)%	(85.4)%	31 March 2023
Beijing Gas Blue Sky Holdings Limited (Stock code: 6828)	5.5%	0.7%	31 December 2022
Jiaxing Gas Group Co., Ltd. (Stock code: 9908)	4.8%	2.2%	31 December 2022
China Primary Energy Holdings Limited (Stock code: 8117)	N/A (Note 1)	(6.4)%	31 December 2022
Huzhou Gas Co., Ltd. (Stock code: 6661)	4.4%	5.0% (Note 2)	31 December 2022
Sino Gas Holdings Group Limited (Stock code: 1759)	4.5%	0.32%	31 December 2022
Tianjin Jinran Public Utilities Company Limited (Stock code: 1265)	N/A (Note 1)	(3.8)%	31 December 2022
Towngas Smart Energy Company Limited (Stock code: 1083)	8.0%	6.0%	31 December 2022
Chinese People Holdings Company Limited (Stock code: 681)	10.1%	2.0%	31 December 2022
Kunlun Energy Company Limited (Stock code: 135)	N/A (Note 1)	4.8%	31 December 2022

Note 1: The company uses income and expenses by nature approach of presentation and no gross margin figure is available

Note 2: For the year ended 31 December 2022, 85% of the profit represents one-off government grant.

Forecast

After finalising the financing performance and position of the Group for the year ended 31 March 2023, the Company also prepare a profit forecast for the year ending 31 March 2024 from which the Listing Division could have a clearer and better idea of the anticipation of the future development of the Company.

The Directors are of the view that (i) as a service provider, reputation is crucial for the Company to build trust with its potential and existing customers as well as potential investors, the prolonged suspension of trading of the Shares on the Stock Exchange since year 2022 and the related public news have created unnecessary doubts to the potential and existing customers about the Company's business condition and impaired reputation of the Company and (ii) the continued outbreak of COVID-19 and the relevant anti-epidemic measures, including but not limited to, the increased hygiene and sanitary inspections, especially there have been pauses of transportation, manufacturing, business and government activities during the year which affected the energy demand, the business environment for the Group has undoubtedly become challenging. The customers of the Group were more conscientious in placing their orders.

Nonetheless, the Group still recorded a healthy level of revenue of approximately HK\$190.8 million, there was increase in gross profit to approximately HK\$10.2 million and the gross profit margin of the Group increased to 5.4% for the year ended 31 March 2023. The achievement of maintaining a healthy level of revenue under such challenging circumstances is due to the Group's continuous efforts to cultivate business relationships with business partners and potential partners in the PRC and to explore new sources of revenue.

The Directors are of the view that it would take time for the Company to recover from the impairment of the Company's reputation as mentioned above and unlike fast moving consumer goods industry, the Company is operating in energy industry undergoing structural changes to clean energy with years of long investment and operating cycle and it is normal that the development of the energy business would take time to become mature, the Directors anticipated that the Company's operations will subsequently improve as the epidemic subsides and the Company is on a return to business as usual.

With reference to such financial performances, the Company believes that such level of revenue and gross profit is adequate to justify the adequacy of the Company's operations and is in compliance with the requirements under GEM Rule 17.26. It is anticipated that the Company's operations will subsequently improve as the epidemic subsides and the Company is on a return to business as usual.

Level of assets

The Company is of the view that its assets level of the Group also demonstrates its compliance with GEM Rule 17.26.

Unlike producers, the Company is operating in asset-light industry and providing supply chain management service. The major expenditure of the Company is salaries expenses which is variable according to the number of employees which is in turn related to the expected business activities.

As at 31 March 2023, the Group had total current assets of approximately HK\$348.7 million, including cash and cash equivalents of approximately HK\$177.8 million. As at 31 March 2023, the Group had net current assets and net assets of approximately HK\$340.3 million and HK\$391.1 million, respectively.

Regarding the liquidity of the Group, there was no bank borrowings or other types of interesting-bearing borrowings as at 31 March 2023. The Group financed its operations mainly with its own working capital and cash and cash equivalents.

Per annual report published by the Company on 28 June 2023, in line with the practice over the previous years, the Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Over the previous years, the Group has no going concerns issues and in the auditor's opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards.

The Company regards such level of assets as sufficient to demonstrate the Company's viability and compliance with the requirements of GEM Rule 17.26.

QUARTERLY UPDATE

On 14 July 2023, the Company submitted the Resumption Proposal including the details as mentioned above to the Stock Exchange to address the Resumption Guidance.

The Group has continued its business operations notwithstanding the suspension of trading in Shares. In an effort to demonstrate its compliance with Rule 17.26 of the GEM Listing Rules, the Group has been actively sourcing new contracts and has continued to develop, improve and strengthen its existing business capabilities with an aim to enhance its long-term growth. The Company is taking appropriate steps and making progresses to resolve the issues causing its trading suspension, and will seek to resume trading in the Shares as soon as possible in full compliance with the GEM Listing Rules and in a manner satisfactory to the Stock Exchange. The Company will keep the Shareholders and Potential Investors informed of, amongst others, the latest progress as and when appropriate and will announce quarterly updates on its development pursuant to Rule 17.26A of the GEM Listing Rules.

Further announcements will be made by the Company in relation to the progress of the resumption plan as and when appropriate.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares has been suspended with effect from 9:00 a.m. on 15 July 2022 and shall remain suspended until further notice. Further announcement(s) will be made by the Company as and when appropriate and in compliance with the requirements under 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.

* *The English translation of names in Chinese is for identification purposes only. If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

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

Hong Kong, 14 July 2023

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.