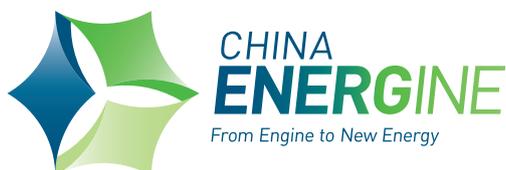


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA ENERGINE INTERNATIONAL (HOLDINGS) LIMITED

中國航天萬源國際（集團）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1185)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT
AND THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to the announcement of China Energin International (Holdings) Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 15 May 2020, in relation to the annual results of the Group for the year ended 31 December, 2019 (the “**2019 Annual Results Announcement**”) and the annual report of the Group for the year ended 31 December 2019 (the “**2019 Annual Report**”). Unless otherwise defined, terms used herein shall bear the same meanings as defined in the 2019 Annual Results Announcement and 2019 Annual Report.

In addition to the information provided in the 2019 Annual Results Announcement and 2019 Annual Report, the Board would like to provide further information in relation to the disclaimer of opinion (the “**Audit Qualification**”) issued by the auditor of the Company (the “**Auditor**”) in relation to the consolidated financial statements of the Group for the year ended 31 December 2019.

* *For identification purpose only*

DETAILS OF THE AUDIT QUALIFICATION AND MANAGEMENT'S VIEW ON THE AUDIT QUALIFICATION

As detailed in Note 1B to the consolidated financial statements for the year ended 31 December 2019 (“**Note 1B**”)(as set out in the 2019 Annual Report), conditions existed such to indicate the existence of material uncertainties which may cast significant doubt regarding the Group’s ability to continue as a going concern.

In view of such circumstances, the Management of the Group (the “**Management**”) had assessed the Group’s current liquidity, performance and available sources of financing in considering the Group’s ability to continue as a going concern. The Management has also taken or will continue to implement the measures as further detailed in Note 1B to mitigate the Group’s liquidity pressure and improve the conditions of cash flow, and on the assumption of successful and continued implementation of such measures, and taking into account the Group’s cash flow projections which covers a period of not less than 12 months from the date of approval of the consolidated financial statements for the year ended 31 December 2019, the Management and also the Directors are satisfied that it is appropriate to prepare the Group’s consolidated financial statements on a going concern basis. The Management and Directors are of the view that the Group will, based on the action plan devised (as detailed in Note 1B), have sufficient cash resources to satisfy future working capital and other financing requirements as and when they fall due in the next twelve months from the reporting date.

As set out in the 2019 Annual Report, due to the potential interaction of the multiple uncertainties regarding the action plan of the Company and the possible cumulative effect on the consolidated financial statements, it is not possible for the Auditor to form an opinion on the consolidated financial statements. Accordingly, the Auditor issued the Audit Qualification.

AUDIT COMMITTEE’S VIEW ON THE AUDIT QUALIFICATION

The audit committee of the Company (the “**Audit Committee**”) had strictly reviewed the Audit Qualification and also the Management’s position and action plan of the Group to address the Audit Qualification. The Audit Committee is in agreement with the Management with respect to the Audit Qualification and the Group’s ability to continue as a going concern, and in particular the actions or measures to be implemented by the Management or the Group.

The Audit Committee's views are based on (i) a strict review of (a) the Management's action plan to address the Audit Qualification (and the assumption of successful and continued implementation), and (b) a review of the Group's cash flow projections which covers a period of not less than 12 months from the date of approval of the consolidated financial statements for the year ended 31 December 2019, and also (ii) discussions between the Audit Committee and the Auditor and the Management, respectively, regarding the Audit Qualification.

The Audit Committee is of the view that the Management should continue its efforts in implementing the actions and measures set out in the action plan as detailed in Note 1B with the intention of mitigating the Group's liquidity pressure and removing the Audit Qualification.

ACTION PLAN TO ADDRESS THE AUDIT QUALIFICATION

In order to address the uncertainties which may cast doubt regarding the Group's ability to continue as a going concern, and with a view to removing the Audit Qualification, the Company had taken and intends to continue to implement the measures as further detailed in Note 1B to mitigate the liquidity pressure and to improve its cash flows, including:

- (i) extension of the existing unsecured loans of RMB792,200,000 (equivalent to approximately HK\$884,369,000) advanced from ASTF and loans of RMB400,000,000 (equivalent to approximately HK\$446,538,000) advanced from CALT through ASTF as the trustee;

Progress:

For the loans advanced from ASTF amounted to RMB792,200,000, the Group has received letter of intention from ASTF on the extension of RMB451,200,000 which will be due by the end of 2020. Loan amounted to RMB11,000,000 is expected to be repaid by way of bill redemption at the time of its mature in October 2020. The Company is planning to negotiate with the ASTF in the end of 2020 about the extension of the loans of RMB330,000,000 due in January and February 2021 and to submit the extension application for the extension of the loans from CALT with an amount of RMB400,000,000 due in April 2021.

Management assessment:

The Company maintains close communication with the controlling shareholder of the Company (the “**Controlling Shareholder**”) in relation to the extension and repayment plan of outstanding loans, the Controlling Shareholder is willing to offer supports to such matters. Although no definitive extension agreement has been entered into before the due date of the relevant loans, the Management considers that the extension will be granted as planned considering its discussion with Controlling Shareholder and the previous supports received from the Controlling Shareholder.

- (ii) extension of the loan facility of RMB300,000,000 (equivalent to approximately HK\$333,000,000) provided by ASTF;

Progress:

The Group draw down an amount of RMB61,450,000 in April 2020 from this loan facility.

Management assessment:

The Company maintains close discussion with ASTF about the extension and repayment plan of the outstanding loan from ASTF and considering such loan facility is secured by the share charge with high liquidity, the Board is of the view that the extension will be granted as planned.

- (iii) disposal of the pledged land and buildings by a joint venture in order to collect the amount due from that joint venture of HK\$67,351,000;

Progress:

The Group has passed the resolution on disposing the pledged land and building in early January 2020. Although the disposal progress has been subsequently affected by the outbreak of novel coronavirus diseases, the Management are currently in discussion with interested party and targets to complete such disposal by the end of December 2020 and in any event within January 2021. The proceeds attributable to such disposal will be applied to the repayment of outstanding loans of the Group.

Management assessment:

There is ongoing progress of the disposal and according to the valuation report prepared by an independent valuer, the proceeds of such disposal are expected to be approximately HK\$67,351,000. The Board is of the view that such disposal will be executed as planned

- (iv) disposal of the equity interests in a joint venture and an associate with an aggregate carrying amount of HK\$46,871,000;

Progress:

The Group has passed the resolution on disposing the equity interest in a joint venture and an associate in early January 2020. Although the disposal progress has been subsequently affected by the outbreak of novel coronavirus diseases, the Management has notified the other shareholders of both the joint venture and the associate in relation to the exit of the Group. According to the expected timetable: 1) carry out valuation of the equity interests in July 2020, 2) complete the internal approval procedures in September 2020, 3) carry out the bidding in October/November 2020, 4) completion of the disposal no later than March 2021.

Management assessment:

There is ongoing progress of the disposal of both the equity interest in a joint venture and an associate. According to the respective carrying amounts, the aggregate proceeds of such disposals are expected to be approximately HK\$46,871,000. The Board is of the view that such disposal will be executed as planned.

- (v) disposal of an investment property located in Shenzhen with carrying amount of HK\$48,226,000;

Progress:

The Group has passed the resolution on disposing the investment property in early January 2020. Although the disposal progress has been subsequently affected by the outbreak of novel coronavirus diseases, the Management has engaged a professional party to identify interested buyers from the market. According to the expected timetable: 1) carry out valuation of the property in June 2020, 2) complete the internal approval procedures in September 2020, 3) carry out the bidding in November 2020, 4) completion of the disposal by the end of 2020 and in any event, no later than March 2021.

Management assessment:

There is ongoing progress of the disposal of the investment property and its valuation is supported by a valuation report carried out by an independent valuer. According to fair value of the investment property with a reference date of 31 December 2019, the aggregate proceeds of such disposals are expected to be approximately HK\$48,226,000. As such, the Board is of the view that such disposal plan will be executed as planned.

- (vi) timely collection of the Group's certain debtors in accordance with the repayment schedules agreed with them; and

Progress:

The Group has used its best endeavor to communicate and reach agreement with customer for the collection of outstanding receivables. However, as the outbreak of novel coronavirus diseases, payment plans of several customers were delayed. As at 31 May 2019, the Group has received an aggregate of HK\$103,320,000 (RMB92,560,000) from its customers and the current bank balance and cash of the Group amounted to HK\$134 million.

Management assessment:

The progress of collection of the outstanding receivables has been delayed by the outbreak of novel coronavirus diseases. However, with the gradual containment of the impact of the coronavirus, the Board is of the view that the receivable collection plan for 2020 is feasible.

- (vii) reaching agreement with the Group's creditors of settlement arrangements where applicable.

Progress:

As the outbreak of novel coronavirus diseases, the original repayment schedule of the Group is affected, Group is currently in discussion with several key suppliers in relation to revisit of the repayment schedule based on the latest situation and received understanding from most of these suppliers. Subject to the then available financial resource, the Group will process the outstanding repayment amounts in June and July 2020.

Management assessment:

The Board is of the view that it is possible for the Group to reach consensus with most of the suppliers on the timing of repayment.

IMPACT OF THE AUDIT QUALIFICATION ON THE COMPANY'S FINANCIAL POSITION

As set out in the 2019 Annual Results Announcement, should the Group fail to achieve the above mentioned plans and measures, or should ASTF and CALT no longer have the financial ability to provide finance to the Group, it might not be able to continue to operate as a going concern, and adjustments would have to be made to reclassify the Group's non-current assets and non-current liabilities as current assets and current liabilities respectively, to write down the carrying values of the Group's assets to their recoverable amounts and to provide for any provision for any contractual commitments that have become onerous as at the end of the reporting period. The effects of these adjustments have not been reflected in the consolidated financial statements.

REMOVAL OF THE AUDIT QUALIFICATION

The Board is given to understand that as the Audit Qualification relates to a going concern issue, in preparing the financial statements for the year ending 31 December 2020, the Directors are responsible for assessing the Company's ability to continue as a going concern and the appropriateness of preparing the Group's consolidated financial statements on a going concern basis, based on the conditions and circumstances as at 31 December 2020.

The Management's assessment of the Company's ability to continue as a going concern as at 31 December 2020 would need to take into consideration of the then conditions and circumstances and also include cash flow projections covering a period of not less than 12 months from 31 December 2020.

Therefore, assuming all the above plans or actions can be completed as planned, there are no other material adverse changes to the business, operation and financial conditions of the Group and satisfactory completion of review of the Management's assessment of the Company's going concern, together with sufficient and appropriate evidence, the Company believes that there will be reasonable basis upon which Audit Qualification would to be removed in connection with the audit of the consolidated financial statements of the Group for the year ending 31 December 2020.

OTHER MATTERS

There is still uncertainty as to the successful execution of the action plan as set out in Note 1B. The uncertainty includes some factors beyond the control of the Group, including whether the purchaser is willing to purchase the assets and equity disposed of, and whether the contractual debt can be deferred, etc.

As at 15 May 2020, the date of the 2019 Annual Results Announcement, four subsidiaries of the Group were involved in a total of 16 pending litigations and arbitrations relating to contractual payment disputes with businesses counterparties. As at 31 May 2020, adjudications of four pending arbitrations with an claim of HK\$54.88 million made by the counterparties had been held, and according to the decision of Beijing Arbitration Commission, the Group shall pay an amount of HK\$37.77 million for the contract price and a HK\$1.67 million for interest, court costs and other expenses, totaling HK\$39.44 million, pending for the enforcement. In addition, two new arbitrations/litigations were raised against a subsidiary of the Group for the payment of contractual arrears and related expenses of HK\$1.93 million and HK\$1.45 million, respectively.

As mentioned above, some of the counterparties to the pending litigations and arbitrations relating to the contractual payment disputes involving four of the Group's subsidiaries may not agree to conciliate, and as a result, the Group's material subsidiaries may face the possibility that the counterparties file court enforcement petitions, and their results of operations and financial condition, including working capital, may be adversely affected and further deteriorated.

The Group is still handling the unsolved technical issues associated with certain wind turbine products. If this matter is not effectively resolved, there will be an increased uncertainty in the wind energy related product segment.

If the adverse circumstances mentioned above affect the implementation and execution of the action plan, the Group will publish announcements as and when appropriate in accordance with the Listing Rules.

By Order of the Board
China Engene International (Holdings) Limited
Liu Zhiwei
Chairman and Executive Director

Hong Kong, 8 June 2020

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Liu Zhiwei, Mr. Li Lei, Mr. Han Qingping, Mr. Xu Jun and Mr. Wang Guanghui; and three independent non-executive Directors, namely Mr. Lau Fai Lawrence, Mr. Gordon Ng and Mr. Li Dapeng.