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CHINA ENERGY DEVELOPMENT HOLDINGS LIMITED
中國能源開發控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 228)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the "**Board**") of China Energy Development Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2020 together with comparative figures for 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Revenue	*3*	**173,480**	158,060
Direct cost		**(45,406)**	(42,184)
Other income	*4*	**7,672**	3,205
Selling and distribution expenses		**(30,308)**	(24,316)
Staff costs		**(20,081)**	(16,628)
Expenses related to short-term leases		**(587)**	(6,077)
Depreciation of property, plant and equipment		**(23,335)**	(8,535)
Depreciation of right-of-use assets		**(10,453)**	(7,233)
Fair value gain/(loss) of financial assets at fair value through profit or loss		**5,205**	(26,758)
Loss on disposal of financial assets at fair value through profit or loss		**–**	(442)
Fair value loss of investment properties		**(380)**	(920)
Impairment of exploration and evaluation assets		**–**	(1,000)
Written off on exploration and evaluation assets		**–**	(37,673)

* *For identification purposes only*

	Notes	2020 HK$'000	2019 HK$'000
Impairment and amortisation of intangible assets		**(22,867)**	(76,458)
Impairment of property, plant and equipment		**–**	(33,000)
Expenses charged under Petroleum Contract		**(12,365)**	(10,958)
Other operating expenses		**(14,481)**	(24,933)
Finance costs	*5*	**(25,187)**	(29,318)
Loss before income tax	*6*	**(19,093)**	(185,168)
Income tax credit	*7*	**4,397**	111,677
Loss for the year		**(14,696)**	(73,491)
Other comprehensive income/(loss) after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations attributable to:			
Owners of the Company		**104,651**	(40,297)
Non-controlling interests		**906**	(363)
		105,557	(40,660)
Total comprehensive income/(loss) for the year		**90,861**	(114,151)
Loss for the year attributable to:			
Owners of the Company		**(14,173)**	(72,352)
Non-controlling interests		**(523)**	(1,139)
		(14,696)	(73,491)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**90,478**	(112,649)
Non-controlling interests		**383**	(1,502)
		90,861	(114,151)
Loss per share attributable to owners of the Company for the year	*9*		
— Basic *(HK cents)*		**(0.15)**	(0.76)
— Diluted *(HK cents)*		**(0.15)**	(0.76)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	10	**1,001,332**	639,110
Right-of-use assets		**14,699**	10,773
Investment properties		**–**	56,680
Exploration and evaluation assets	11	**97,172**	20,120
Intangible assets	12	**1,199,563**	1,140,898
Deferred tax assets		**109,532**	100,026
Total non-current assets		**2,422,298**	1,967,607
Current assets			
Account and note receivables	13	**78,687**	148,344
Financial assets at fair value through profit or loss		**36,269**	31,064
Other receivables, deposits and prepayments		**52,129**	43,391
Cash and bank balances		**167,985**	226,798
Total current assets		**335,070**	449,597
Total assets		**2,757,368**	2,417,204
Current liabilities			
Other payables and accruals		**627,471**	712,367
Lease liabilities		**7,393**	10,604
Amount due to a shareholder		**29,730**	29,551
Total current liabilities		**664,594**	752,522
Net current liabilities		**(329,524)**	(302,925)
Total assets less current liabilities		**2,092,774**	1,664,682

	Notes	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Other payables and accruals		**–**	61,692
Lease liabilities		**4,236**	3,283
Other borrowings		**389,400**	–
Convertible notes		**87,769**	79,199
Total non-current liabilities		**481,405**	144,174
Net assets		**1,611,369**	1,520,508
Equity			
Share capital		**475,267**	475,267
Reserves		**1,124,915**	1,034,437
Attributable to owners of the Company		**1,600,182**	1,509,704
Non-controlling interests		**11,187**	10,804
Total equity		**1,611,369**	1,520,508

Notes:

1. BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which also include Hong Kong Accounting Standards ("**HKASs**") and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong, the applicable disclosure required by the Hong Kong Company Ordinance and the applicable disclosure provisions of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Main Board Listing Rules**").

The accounting policies and methods of computation used in the preparation of the consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investment properties and financial assets at fair value through profit or loss, which are measured at fair values.

(c) Going concern basis

For the year ended 31 December 2020, the Group has suffered a loss of HK$14,696,000 and at the end of reporting period, its current liabilities exceeded its current assets by HK$329,524,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Group's current liabilities as at 31 December 2020 are mainly attributable to property, plant and equipment/exploration and evaluation cost payables amounting to HK$474,364,000 (31 December 2019: HK$419,069,000). The directors of the Company are of the view that the Group will be able to successfully persuade these contractors not to insist on repayment. However, there is no certainty that these contractors will not demand repayment.

In view of the net current liabilities position, the Directors have carried out a detailed review of the cash flow forecast of the Group covering a period of not less than twelve months from the end of the reporting period based on certain underlying assumptions including (i) financial support from a shareholder not to demand repayment within 12 months; (ii) the Group being able to successfully persuade contractors not to insist on repayment; and (iii) the Group being able to raise adequate funding through bank borrowings or otherwise. Taking into account the above assumptions, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 31 December 2020.

(d) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the Group's presentation currency. The functional currency of the principal operating subsidiaries of the Group is Renminbi. The Directors consider that choosing Hong Kong dollars as the presentation currency best suits the needs of the shareholders and investors.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised HKFRSs — effective 1 January 2020

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the consolidated financial statements of the Group. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

	Effective for accounting periods beginning on or after
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Amendments to HKAS 1, *Classification of Liabilities as Current or Non-Current*	1 January 2023
HK-Int 5, Amendments in relation to Amendments to HKAS 1	1 January 2023
Amendments to HKFRS 10 and HKAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	*Note 1*

Note 1: The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have significant impact on the Group's result of operations and financial positions.

3. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and to assess its performance. In accordance with the Group's internal organisation and reporting structure, the operating segments are based on nature of business.

The Group has the following three reportable segments:

The Exploration, Production and Distribution of Natural Gas segment is engaged in the exploration, development, production and sales of natural gas and the usage of pipeline for distribution of natural gas.

The Sales of Food and Beverages Business segment is engaged in the sales of food and beverages.

The Money Lending Business segment is engaged in provision of loans to third parties.

The segment information provided to the Board for the reportable segments for the years ended 31 December 2020 and 2019 are as follows:

(a) Information about reportable segment revenue, profit or loss and other information

	Exploration, Production and Distribution of Natural Gas	**Sales of Food and Beverages Business**	**Money Lending Business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2020				
Revenue from external customers	**173,480**	**–**	**–**	**173,480**
Reportable segment loss before income tax	**(4,700)**	**(1,187)**	**(145)**	**(6,032)**
Segment results included:				
Interest income	**1,484**	**–**	**–**	**1,484**
Interest expense	**(16,617)**	**–**	**–**	**(16,617)**
Depreciation of property, plant and equipment	**(22,410)**	**(246)**	**–**	**(22,656)**
Depreciation of right-of-use assets	**(10,453)**	**–**	**–**	**(10,453)**
Amortisation of intangible assets	**(22,867)**	**–**	**–**	**(22,867)**
Income tax credit	**4,397**	**–**	**–**	**4,397**
Addition to capital expenditures	**338,551**	**–**	**–**	**338,551**
As at 31 December 2020				
Reportable segment assets	**2,617,568**	**1,004**	**18**	**2,618,590**
Reportable segment liabilities	**(1,027,134)**	**(315)**	**–**	**(1,027,449)**

	Exploration, Production and Distribution of Natural Gas HK$'000	Sales of Food and Beverages Business HK$'000	Money Lending Business HK$'000	Total HK$'000
For the year ended 31 December 2019				
Revenue from external customers	158,060	–	–	158,060
Reportable segment loss before income tax	(137,024)	(1,460)	(168)	(138,652)
Segment results included:				
Interest income	1,083	–	–	1,083
Interest expense	(19,867)	–	–	(19,867)
Depreciation of property, plant and equipment	(8,241)	(245)	–	(8,486)
Depreciation of right-of-use assets	(7,233)	–	–	(7,233)
Amortisation of intangible assets	(16,458)	–	–	(16,458)
Impairment of intangible assets	(60,000)	–	–	(60,000)
Impairment of property, plant and equipment	(33,000)	–	–	(33,000)
Impairment of exploration and evaluation assets	(1,000)	–	–	(1,000)
Written off on exploration and evaluation assets	(37,673)	–	–	(37,673)
Income tax credit	111,677	–	–	111,677
Addition to capital expenditures	255,778	–	–	255,778
As at 31 December 2019				
Reportable segment assets	2,269,952	1,422	19	2,271,393
Reportable segment liabilities	(786,527)	(205)	–	(786,732)

(b) Reconciliation of reportable segment profit or loss, assets and liabilities

	2020	2019
	HK$'000	*HK$'000*
Loss before income tax		
Reportable segment loss before income tax	**(6,032)**	(138,652)
Other income	**494**	1,748
Fair value gain/(loss) of financial assets at fair value through profit or loss	**5,205**	(26,758)
Loss on disposal of financial assets at fair value through profit or loss	**–**	(442)
Fair value loss of investment properties	**(380)**	(920)
Finance costs	**(8,570)**	(9,451)
Unallocated head office and corporate expenses	**(9,810)**	(10,693)
Loss before income tax	**(19,093)**	(185,168)
Assets		
Reportable segment assets	**2,618,590**	2,271,393
Property, plant and equipment	**56,545**	534
Investment properties	**–**	56,680
Other receivables, deposits and prepayments	**12,205**	18,459
Financial assets at fair value through profit or loss	**36,269**	31,064
Cash and bank balances	**33,759**	39,074
Total assets	**2,757,368**	2,417,204
Liabilities		
Reportable segment liabilities	**1,027,449**	786,732
Convertible notes	**87,769**	79,199
Amount due to a shareholder	**29,730**	29,551
Other payables and accruals	**1,051**	1,214
Total liabilities	**1,145,999**	896,696

(c) Disaggregation of revenue from contracts with customers:

	Exploration, Production and Distribution of Natural Gas *HK$'000*	**2020 Total** *HK$'000*
Geographical markets		
The People's Republic of China (the "**PRC**")	**173,480**	**173,480**
Major product/service		
Natural gas	**173,480**	**173,480**
Timing of revenue recognition		
At a point of time	**173,480**	**173,480**

	Exploration, Production and Distribution of Natural Gas *HK$'000*	2019 Total *HK$'000*
Geographical markets		
The PRC	158,060	158,060
Major product/service		
Natural gas	158,060	158,060
Timing of revenue recognition		
At a point of time	158,060	158,060

(d) Revenue from major customers:

	2020 *HK$'000*	2019 *HK$'000*
Exploration, Production and Distribution of Natural Gas segment		
Customer A	**163,342**	148,452
Customer B	**10,138**	9,608

(e) **Geographic information**

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than deferred tax assets ("**Specified non-current assets**").

	Revenue from external customers		Specified non-current assets	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**–**	–	**57,138**	62,176
The PRC	**173,480**	158,060	**2,255,628**	1,805,405
	173,480	158,060	**2,312,766**	1,867,581

4. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Interest income	**1,907**	1,929
Dividend income from financial assets at fair value through profit or loss	**–**	890
Reversal of expected credit losses	**233**	332
Government subsidies	**242**	–
Administrative and management fee income	**5,233**	–
Others	**57**	54
	7,672	3,205

5. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank borrowings	**–**	5,088
Interest on other borrowings	**6,871**	–
Interest on convertible notes	**8,570**	7,732
Interest on other payables	**8,853**	13,160
Interest on amount due to a shareholder	**–**	1,719
Interest on lease liabilities	**893**	1,619
	25,187	29,318

6. LOSS BEFORE INCOME TAX

The Group's loss before income tax is stated after charging:

	2020	2019
	HK$'000	*HK$'000*
Auditors' remuneration	**920**	850
Amortisation of intangible assets	**22,867**	16,458
Impairment of intangible assets	**–**	60,000
Staff costs (including directors' remuneration):		
Wages and salaries and other benefits	**19,994**	16,534
Pension fund contributions	**87**	94
	20,081	16,628

7. INCOME TAX CREDIT

The amount of taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2020	2019
	HK$'000	*HK$'000*
Current tax — the PRC		
Charge for the year	**–**	–
Deferred tax credit	**4,397**	111,677
Total income tax credit	**4,397**	111,677

No provision for Hong Kong profits tax has been made as the Group did not have assessable profit for the year. Provision for PRC enterprise income tax are calculated at the tax rate of 25% (2019: 25%).

8. DIVIDEND

The board of directors of the Company did not recommend any payment of dividend during the year (2019: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
	HK$'000	*HK$'000*
Loss attributable to owners of the Company	**(14,173)**	(72,352)
	Number of Shares	*Number of Shares*
Weighted average number of ordinary shares in issue	**9,505,344,000**	9,505,344,000
	HK Cents	*HK Cents*
Basic loss per share	**(0.15)**	(0.76)

(b) Diluted loss per share

For the years ended 31 December 2020 and 2019, diluted loss per share is the same as basic loss per share as the potential ordinary shares on convertible notes are anti-dilutive.

10. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2020, the Group incurred property, plant and equipment cost of approximately HK$267,447,000 (2019: HK$236,496,000), and an addition of property, plant and equipment of approximately HK$56,300,000 (2019: HK$Nil) which was reclassified from investment properties.

11. EXPLORATION AND EVALUATION ASSETS

During the year ended 31 December 2020, the Group incurred exploration and evaluation cost of approximately HK$71,104,000 (2019: HK$19,282,000), and reclassified exploration and evaluation assets of approximately HK$Nil (2019: HK$422,452,000) to oil properties under Property, Plant and Equipment.

12. INTANGIBLE ASSETS

	2020	2019
	HK$'000	*HK$'000*
Cost		
At 1 January	**2,656,579**	2,729,031
Exchange differences	**193,206**	(72,452)
At 31 December	**2,849,785**	2,656,579
Accumulated amortisation and impairment		
At 1 January	**1,515,681**	1,478,777
Amortisation	**22,867**	16,458
Impairment loss	**–**	60,000
Exchange differences	**111,674**	(39,554)
At 31 December	**1,650,222**	1,515,681
Carrying amount		
At 31 December	**1,199,563**	1,140,898

The intangible assets represent the interests in the Petroleum Contract which were amortised on unit of production method.

13. ACCOUNT AND NOTE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Account receivables		
— Sales of natural gas	**78,694**	48,820
Loan and interest receivables		
— Others	**37,100**	37,100
	115,794	85,920
Less: Expected credit losses	**(37,107)**	(37,104)
	78,687	48,816
Note receivables	**–**	99,528
	78,687	148,344

The entire balance of account receivables are not yet past due. The Group did not hold any collateral over the balance.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is the extract of the independent auditor's report from the Company's auditor on the Group's consolidated financial statements for the year ended 31 December 2020:

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

1. *Exploration and evaluation assets, property, plant and equipment and intangible assets*

   Written off on exploration and evaluation assets of HK$37,673,000 and impairment losses of HK$33,000,000, HK$60,000,000 and HK$1,000,000 were recognised for the year ended 31 December 2019 on property, plant and equipment, intangible assets and exploration and evaluation assets respectively. Depreciation of approximately HK$4,877,000 and amortisation of approximately HK$16,458,000 were recognised for the year ended 31 December 2019 on property, plant and equipment and intangible assets. As mentioned in our auditor's report of the Group's consolidated financial statements for the year ended 31 December 2019, we have been unable to obtain sufficient appropriate audit evidence to ascertain the carrying amount of these accounts' balance brought forward from 31 December 2018, and thus there is a consequential effect on these expenses recorded for the year ended 31 December 2019.

2. *Deferred tax*

   Deferred tax credit of approximately HK$91,926,000 was recorded for the year ended 31 December 2019. As mentioned in our auditor's report of the Group's consolidated financial statements for the year ended 31 December 2019, we have been unable to obtain sufficient appropriate audit evidence to ascertain the carrying amount of this account as at 31 December 2018, and thus there is a consequential effect on the deferred tax credit recorded for the year ended 31 December 2019.

Any adjustments to the figures as described from points 1 to 2 above might have a consequential effect on the Group's financial performance and cash flows for the year ended 31 December 2019 and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 3 to the consolidated financial statements which mentions that for the year ended 31 December 2020, the Group has suffered a loss of HK$14,696,000 and at the end of reporting period, its current liabilities exceeded its current assets by HK$329,524,000. These conditions indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

During the year, the Group recorded a revenue in the amount of approximately HK$173,480,000 (2019: HK$158,060,000). The Group's revenue was principally derived from the exploration, production and distribution of natural gas segment of approximately HK$173,480,000 (2019: HK$158,060,000). During the year, the money lending business segment did not contribute any revenue to the Group (2019: Nil), and the sales of food and beverages segment did not contribute any revenue to the Group (2019: Nil) either.

The Group recorded a loss attributable to the owners of the Company in the amount of approximately HK$14,173,000, compared to a loss of approximately HK$72,352,000 during last year. It was mainly due to (i) the non-recurrence in 2020 of the impairment and write-off of property, plant and equipment, intangible assets and exploration and evaluation assets in 2019 of approximately HK$131,673,000; and (ii) the fair value gain in financial assets at fair value through profit or loss approximately HK$5,205,000 in 2020 as compared to the fair value loss of financial assets at fair value through profit or loss approximately HK$26,758,000 in 2019, which was offset by the decrease in deferred tax credit of HK107,280,000. Loss per share attributable to the owners of the Company was 0.15 HK cents (2019: loss per share of 0.76 HK cents).

Business Review

Exploration, Production and Distribution of Natural Gas Segment

The Petroleum Contract

The Company's indirectly wholly-owned subsidiary, China Era Energy Power Investment (Hong Kong) Limited ("**China Era**") entered into a petroleum contract with China National Petroleum Corporation ("**CNPC**") for the drilling, exploration, development and production of oil and/or natural gas within the specified site located in North Kashi Block, Tarim Basin, Xinjiang, PRC (the "**Petroleum Contract**"). The Petroleum Contract is for a term of 30 years commencing 1 June 2009.

Under the Petroleum Contract, China Era shall apply its appropriate and advanced technology and management expertise and assign its competent experts to perform exploration, development and production of oil and/or natural gas within the site. In the event that any oil field and/or gas field is discovered within the site, the development and production costs shall be borne by CNPC and China Era in the proportion of 51% and 49%, respectively.

According to the Petroleum Contract, the exploration period covers 6 years. The managements have devoted much of its resources during the period in exploration and research studies. On 6 December 2017, China Era and CNPC entered into a supplemental and amendment agreement to the Petroleum Contract (the "**Supplemental Agreement**") extending the First Phase exploration period to 5 December 2017 and agreeing on the aggregation of the costs incurred by CNPC between 1 June 2009 and 5 December 2017 with the pre-contract costs. The costs incurred between 1 June 2009 and 31 December 2015 was in the amount of RMB651,653,000 (mainly including three completed wells, reconstruction of natural gas processing plant and the operating costs incurred during the period). In 2018, the cost incurred by CNPC between 1 January 2016 and 31 December 2017 in the amount of approximately RMB94,042,000 was confirmed. On 20 June 2019, China Era and CNPC entered into a second supplemental agreement to the Petroleum Contract (the "**2nd Supplemental Agreement**"), which agreed the amount of profit sharing between 2009 and 2017.

The filing of the Overall Development Program ("**ODP**") was completed on 8 July 2019, and the development period of the Kashi Project commenced with effect from 9 July 2019. Following to the operation of the new gas processing facilities on 1 July 2020, the Joint Management Committee of North Kashi Block Cooperations Project resolved that the commercial production stage commenced with effect from 1 October 2020.

The Status of Gas Sales Agreements

As disclosed in the Company's announcement dated 28 April 2020, the Gas Sales Agreements ("**GSA**") was signed on 27 April 2020. The terms of the GSA include the quantity of volume commitments, gas quality, price terms, delivery obligations and delivery point, etc.

Segment Performance

During the year, this operation together with the natural gas distribution operation in Karamay, Xinjiang contributes revenue of approximately HK$173,480,000 (2019: HK$158,060,000) and the segment loss before income tax was approximately HK$4,700,000 (2019: HK$137,024,000).

The results of operations in exploration, production and distribution of natural gas segment and costs incurred for exploration and evaluation assets acquisition and exploration activities are shown as below:

(a) Results of operations in exploration, production, and distribution of natural gas segment

	2020	2019
	HK$'000	*HK$'000*
Revenue	**173,480**	158,060
Direct cost	**(45,406)**	(42,184)
Other income	**7,154**	1,457
Selling and distribution expenses	**(30,308)**	(24,316)
Operating expenses	**(37,273)**	(46,569)
Depreciation	**(32,863)**	(15,474)
Written off on exploration and evaluation assets	**–**	(37,673)
Impairment of exploration and evaluation assets	**–**	(1,000)
Impairment and amortisation of intangible assets	**(22,867)**	(76,458)
Impairment of property, plant and equipment	**–**	(33,000)
Finance cost	**(16,617)**	(19,867)
Results of operations before income tax	**(4,700)**	(137,024)

(b) *Costs incurred for exploration and evaluation assets acquisitions and exploration activities*

	2020	2019
	HK$'000	*HK$'000*
Exploration cost	**71,104**	19,282

Information of Gas Reserves

In 2019, the Group engaged an independent third party consulting firm to perform the review on the reserves which was conducted in accordance with Petroleum Resources Management System, an international recognised reserve standards and guideline. The following table summarised the estimates of Group's 49% net entitlement interests of the gas reserve in the Petroleum Contract as at 31 December 2020.

		Natural gas	
		(BM³)	
	As at 31 December 2019	**Production activity during the year**	**As at 31 December 2020**
Proved (1P)	6.83	(0.20)	6.63
Proved and Probable (2P)	9.19	(0.20)	8.99

Reserves are determined through analysis of geological and engineering data which appear, with reasonable certainty, to be economically productive in the future from known and discovered oil and natural gas reservoirs under existing economic and operating conditions. Both deterministic and probabilistic methods are used in reserves estimation. When probabilistic method is used, there should be at least a 90% probability (for Proved Reserve or "1P") that the quantities actually recovered will equal or exceed the estimate and there should be at least a 50% probability (for Proved and Probable Reserve or "2P") that the quantity actually recovered will equal or exceed the estimate.

Sales of Food and Beverages Business

The Group did not record any revenue from the sales of food and beverages business segment in 2020 and 2019. The segment loss before tax was approximately HK$1,187,000 (2019: HK$1,460,000). No revenue was recorded during the year, mainly due to the Group's intention to reduce reliance on sales of food and beverage. We will continue to keep track of the economic environment and review the future allocation of resource as and when required.

Money Lending Business

The Group did not generate any revenue in 2020 and 2019 from the money lending business operated by its indirect wholly owned subsidiary, Zhong Neng Finance Ltd., a licensed money lender under the Money Lenders Ordinance (Cap.163, Laws of Hong Kong). The segment loss before tax was approximately HK$145,000 (2019: HK$168,000). The Group continued to adopt a stringent credit policy to mitigate the credit risk arising from the money lending business.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 31 December 2020, the Group has outstanding secured other borrowings of approximately HK$389,400,000 (2019: Nil). The cash and cash equivalents of the Group were approximately HK$167,985,000 (2019: HK$226,798,000). The Group's current ratio (current assets to current liabilities) was approximately 50.4% (2019: 59.7%). The ratio of total liabilities to total assets of the Group was approximately 41.6% (2019: 37.1%).

As at 31 December 2020, the convertible notes due in 2041 has an outstanding principal amount of HK$679,670,000. These convertible notes do not carry any interest, but carry the right to convert the principal amount into ordinary shares of the Company. The conversion price is HK$0.168 per share (subject to adjustments) and a maximum number of 4,045,654,761 shares may be allotted and issued upon exercise of the conversion rights attached to the convertible notes in full. During the year, no convertible note was converted to ordinary shares of the Company.

Charge of Assets

Account receivables in the amount of approximately HK$78,334,000 were pledged as security for other borrowings as at 31 December 2020 (2019: Nil).

Exchange Exposure

The Group mainly operates in Hong Kong and PRC and the exposure in exchange rate risks mainly arises from fluctuations in the HK dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. The policy of the Group for its operating entities operates in their corresponding local currencies to minimise currency risks. The Group, after reviewing its exposure for the time being, did not enter into any derivative contracts aimed at minimising exchange rate risks during the year. However, management will monitor foreign currency exposure and will consider hedging significant foreign currency exposure if necessary.

Capital Commitments

The Group had capital commitments of approximately HK$115,501,000 (of which approximately HK$36,151,000 would be borne by CNPC) (2019: HK$522,640,000 of which approximately HK$199,564,000 would be borne by CNPC) and HK$129,800,000 (2019: HK$121,000,000) as at 31 December 2020 in respect of capital expenditure of exploration, production and distribution of natural gas segment and capital contributions in a subsidiary respectively.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2020 and 2019.

Employee Information

As at 31 December 2020, the Group had a total workforce of 46 (2019: 50). The Group remunerates its employees based on their work performance, working experiences, professional qualifications and the prevailing market practice.

ADDITIONAL DISCLOSURE REGARDING THE MODIFIED OPINION

Qualified opinion in 2020

The auditors of the Company issued a qualified opinion in the independent auditors' report relating to the audit of the consolidated financial statements of the Group for the year ended 31 December 2020. In view of the qualified opinion, the Board would like to provide the following additional information.

As set out in the Company's annual report for the year ended 31 December 2018 (the "**2018 Annual Report**"), the previous auditors of the Company issued disclaimer of opinion in the independent auditors' report relating to the audit of the consolidated financial statements of the Group for the year ended 31 December 2018. Further information regarding the disclaimer of opinion for the year 2018 is set out on pages 11 to 15 of the 2018 Annual Report.

As stated in the independent auditors' report, the existing auditors have not been been provided with sufficient appropriate audit evidence to ascertain the carrying amount of exploration and evaluation assets, property, plant and equipment, intangible assets and deferred tax assets/liabilities brought forward from 31 December 2018. Any adjustments of these items may have a consequential effect on these expenses recorded for the year ended 31 December 2019, result in consequential effects on the Group's financial performance and cash flows the year ended 31 December 2019.

The qualified opinion is because of the comparative figures, opening balance and consequential effect of the bases for modified opinion relating to the audit of the consolidated financial statements of the Group in previous years. These bases for qualified opinion did not arise from different judgments in the valuation and impairment of balance sheet items in the current year between the Company's Directors and the existing auditors. The audit committee concurred with the Company's Directors in the valuation and impairment of the balance sheet items in the current year and the previous year. Since the bases for qualified opinion this year is principally the consequence brought forward from the bases for modified opinion in previous years, barring unforeseen circumstances which may arise after the date hereof over the relevant balance sheet items, the Company's Directors do not expect these bases of qualification to recur in the consolidated financial statements for the year ending 31 December 2021.

Going Concern Basis

For the year ended 31 December 2020, the Group has suffered a loss of HK$14,696,000 and at the end of reporting period, its current liabilities exceeded its current assets by HK$329,524,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The Group's current liabilities as at 31 December 2020 are mainly attributable to property, plant and equipment/exploration and evaluation cost payables in the amount of HK$474,364,000 (31 December 2019: HK$419,069,000). The directors of the Company are of the view that the Group will be able to successfully persuade these contractors not to insist on repayment. However, there is no certainty that these contractors will not demand repayment.

In view of the net current liabilities position, the Directors have carried out a detailed review of the cash flow forecast of the Group covering a period of not less than twelve months from the end of the reporting period based on certain underlying assumptions including (i) financial support from a shareholder not to demand repayment within 12 months; (ii) the Group being able to successfully persuade contractors not to insist on repayment of the construction cost payables; and (iii) the Group being able to raise adequate funding through bank borrowings or otherwise. Taking into account the above assumptions, the directors of the Company consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the twelve months from 31 December 2020.

The Audit Committee's view

During the audit process, the audit committee discussed with the management during which the management presented the financial highlights and conveyed the key audit matters expressed by the auditors. After considering the circumstances surrounding the key audit matters and the management's presentation, the audit committee concurred with the management's judgments regarding the valuation of the assets during the impairment testing assessments and the going concern basis of the financial statements.

Removal of audit modification

As explained above, the perceived uncertainties on the audit modifications in 2018 have been addressed in 2019, and the modified opinion in the current year is only the consequential effect of modified opinion in previous years. The Directors will continue to negotiate with banks and other financiers, financial institutions and potentially interested investors with the view to obtaining new funding whether by way of equity or debt financing to improve of the Company's financial position and/or liquidity.

PROSPECTS

Exploration, Production and Distribution of Natural Gas

The project details and key milestones for the Kashi Project were disclosed in the Company's circular dated 3 December 2010. In essence, the Petroleum Contract covers an exploration period of up to six years (which was already extended by CNPC pursuant to the Supplemental Contract), a development period and a production period. The development period commences on the date after the date of filing completion of the ODP and ends on the date of the completion of the development operations required by the ODP to be completed during the development period. The end of the development period also signifies the commencement of the commercial production of the project and hence the production period, which runs for fifteen years for an oil field and twenty years for a gas field (subject to extension with the approval of the government).

As disclosed in the Company's announcement dated 25 July 2019, the filing of the ODP of Kashi Project was completed on 8 July 2019 and the development period commenced with effect from 9 July 2019. As disclosed in the Company's announcement dated 28 April 2020, the GSA was signed on 27 April 2020. Following to the operation of the new gas processing facilities on 1 July 2020, the Joint Management Committee of North Kashi Block Cooperations Project resolved that the commercial production stage commenced with effect from 1 October 2020. The Company's management will continue to follow up with potential lenders and investors with the view to secure additional debt and/or equity funding to finance the further development of the project. Further announcement(s) will be made by the Company as and when there is any significant progress of the Kashi Project.

Sales of Food and Beverages Business

The management has taken a cautious approach to manage the operations of the food and beverages segment. The Group will assess the value and performance of this segment from time to time, and continue to keep track of the economic environment and review the future allocation of resources as and when required.

Money Lending Business

The management will continue to look for high quality borrowers in order to minimise the risk of default. The management has taken a cautious approach in money lending business in view of the Group's current financial position.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain good corporate governance standard and procedures. The Stock Exchange has promulgated the code provisions on Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "**CG Code**"). During the year ended 31 December 2020, the Group has complied with the CG Code except for the following:

(a) In relation to A.2.1 of the CG Code, the roles of chairman and Chief Executive Officer (the "**CEO**") should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and CEO should be clearly established and set out in writing. During the year, Mr. Zhao Guoqiang is the CEO of the Company. During the year, the position of chairman is vacated and the Board intends to identify satisfiable candidate to fill the vacancy.

(b) In relation to E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting (the "**AGM**") to answer questions raised up in the meeting. During the year, the position of chairman is vacated, but other Directors and members of the audit committee were present at the AGM to answer questions from Shareholders.

(c) In relation to A.4.1 and A.4.2 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election while all directors should be subject to retirement by rotation at least once every three years. For the year under review, all independent non-executive directors of the Company have not been appointed for a specific term but they are subject to retirement by rotation in accordance with the Company's articles of association. The management experience, expertise and commitment of the re-electing Directors will be considered by the nomination committee of the Company before their re-election proposals are put forward to Shareholders. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices regarding Directors' appointment are no less exacting than those in the CG Code.

(d) In relation to A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the Company's AGM. Certain non-executive Directors were unable to attend the Company's AGM held on 23 June 2020 due to other business commitments and/or public health measures. However, views expressed by shareholders at general meetings are recorded and circulated for discussion by all directors regardless of attendance. The Company intends to arrange for video/audio conferencing channels to facilitate Directors' attendance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own Code of conduct regarding securities transactions by the directors of the Company. All existing directors have confirmed following specific enquiry by the Company that they have complied with the required standard set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

During the year and up to the date of this announcement, members of the Audit Committee included:

Mr. Lee Man Tai *(Chairman of Audit Committee)*
Dr. Gu Quan Rong
Mr. Zong Ketao
Mr. Cheng Chun Ying

As at the date of this announcement, the audit committee comprises one non-executive director and three independent non-executive directors of the Company. The audit committee has adopted terms of reference which are in line with the CG Code. The Group's audited consolidated financial statements for year ended 31 December 2020 have been reviewed by the audit committee, which is of the opinion that such statements complied with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the announcement of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on the announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.cnenergy.com.hk). The 2020 annual report of the Company for the year ended 31 December 2020 will be dispatched to shareholders and made available on the above websites in due course.

FORWARD LOOKING STATEMENTS

There is no assurance that any forward-looking statements regarding the business development of the Group set out in this announcement or any of the matters set out therein are attainable, will actually occur or will be realised or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice form professional advisers.

By order of the Board
China Energy Development Holdings Limited
Zhao Guoqiang
Chief Executive Officer & Executive Director

Hong Kong, 24 March 2021

As at the date of this announcement, the Board comprises Mr. Zhao Guoqiang (Chief Executive Officer and alternate director to Dr. Gu Quan Rong) as executive director; Dr. Gu Quan Rong as non-executive director; and Mr. Zong Ketao, Mr. Cheng Chun Ying and Mr. Lee Man Tai as independent non-executive directors.