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(Incorporated in the Cayman Islands with limited liability)

(Stock code: 228)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

(1) Revenue growth

Revenue increased by 103.8% to approximately HK\$353.6 million.

(2) Net profit with net margin

Profitability turned around from net loss of approximately HK\$14.7 million for the year ended 31 December 2020 to net profit of approximately HK\$124.7 million for the year ended 31 December 2021. The net profit margin for the year 2021 was 35.3% (2020: net loss margin of 8.5%).

(3) Current ratio

Current ratio was 40.5% (2020: 50.4%).

(4) Basic and diluted earnings per share

Basic and diluted loss per share for the year ended 31 December 2020 of 0.15 HK cents turned around to basic and diluted earnings per share of 1.30 HK cents and 0.98 HK cents, respectively, for the year ended 31 December 2021.

* For identification purposes only

The board (the “**Board**”) of directors (the “**Directors**”) 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 2021 together with comparative figures for 2020 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	353,588	173,480
Direct cost		(47,683)	(45,406)
Other income	5	8,654	7,672
Selling and distribution expenses		(34,794)	(30,308)
Staff costs		(20,276)	(20,081)
Expenses related to short-term leases		(4,206)	(587)
Depreciation of property, plant and equipment		(40,668)	(23,335)
Depreciation of right-of-use assets		(17,176)	(10,453)
Fair value gain of financial assets at fair value through profit or loss		1,386	5,205
Fair value loss of investment properties		–	(380)
Amortisation of intangible assets		(29,448)	(22,867)
Reversal of impairment of property, plant and equipment		20,315	–
Reversal of impairment of intangible assets		78,164	–
Expenses charged under Petroleum Contract		(11,557)	(12,365)
Other operating expenses		(8,253)	(14,481)
Finance costs	6	(46,278)	(25,187)
Profit/(loss) before income tax	7	201,768	(19,093)
Income tax (charge)/credit	8	(77,049)	4,397
Profit/(loss) for the year		124,719	(14,696)

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations attributable to:			
Owners of the Company		42,543	104,651
Non-controlling interests		353	906
		<u>42,896</u>	<u>105,557</u>
Total comprehensive income for the year		<u>167,615</u>	<u>90,861</u>
Profit/(Loss) for the year attributable to:			
Owners of the Company		123,775	(14,173)
Non-controlling interests		944	(523)
		<u>124,719</u>	<u>(14,696)</u>
Total comprehensive income attributable to:			
Owners of the Company		166,318	90,478
Non-controlling interests		1,297	383
		<u>167,615</u>	<u>90,861</u>
Earnings/(Loss) per share (<i>HK cents</i>)			
— Basic	<i>10</i>	<u>1.30</u>	<u>(0.15)</u>
— Diluted		<u>0.98</u>	<u>(0.15)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>11</i>	1,229,496	1,001,332
Right-of-use assets		17,299	14,699
Exploration and evaluation assets	<i>12</i>	50,899	97,172
Intangible assets	<i>13</i>	1,279,596	1,199,563
Deferred tax assets		33,973	109,532
Total non-current assets		2,611,263	2,422,298
Current assets			
Account receivables	<i>14</i>	1,213	78,687
Financial assets at fair value through profit or loss		37,654	36,269
Other receivables, deposits and prepayments		34,168	52,129
Cash and bank balances		167,280	167,985
Total current assets		240,315	335,070
Total assets		2,851,578	2,757,368
Current liabilities			
Other payables and accruals		470,201	627,471
Lease liabilities		11,178	7,393
Amount due to a shareholder		32,589	29,730
Other borrowings		79,860	–
Total current liabilities		593,828	664,594
Net current liabilities		(353,513)	(329,524)
Total assets less current liabilities		2,257,750	2,092,774

	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	7,611	4,236
Other borrowings	373,890	389,400
Convertible notes	97,265	87,769
	<u>478,766</u>	<u>481,405</u>
Total non-current liabilities		
	<u>478,766</u>	<u>481,405</u>
Net assets	<u>1,778,984</u>	<u>1,611,369</u>
Equity		
Share capital	475,267	475,267
Reserves	1,291,233	1,124,915
	<u>1,766,500</u>	<u>1,600,182</u>
Attributable to owners of the Company	1,766,500	1,600,182
Non-controlling interests	12,484	11,187
	<u>1,778,984</u>	<u>1,611,369</u>
Total equity		
	<u>1,778,984</u>	<u>1,611,369</u>

Notes:

1. GENERAL INFORMATION

China Energy Development Holdings Limited (the “**Company**”) was incorporated on 4 April 2001 as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, Cayman Islands. Its principal place of business is located at Office J, 29/F, Plaza 88, No.88 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**SEHK**”) since 18 February 2002.

The principal activity of the Company is investment holding. The Company, through its major subsidiaries, is principally engaged in (i) oil and gas exploration; (ii) distribution of natural gas; (iii) sales of food and beverages; and (iv) money lending business in Hong Kong.

In the opinion of the directors of the Company (the “**Directors**”), as at the date of the issue of these consolidated financial statements, U.K. Prolific Petroleum Group Company Limited (“**U.K. Prolific Petroleum**”) is the single largest substantial shareholder of the Company.

2. 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 Companies 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 2020.

(b) Basis of measurement

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

(c) Going concern basis

At the end of reporting period, the Group's current liabilities exceeded its current assets by approximately HK\$353,513,000. 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 2021 are mainly attributable to property, plant and equipment/exploration and evaluation cost payables amounting to HK\$399,660,000 (31 December 2020: HK\$474,364,000). The Directors of the Company are of the view that the Group will be able to successfully persuade these contractors not to insist on demanding 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 demanding 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 2021.

(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.

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

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 2021. 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 and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. 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 2021 and 2020 are as follows:

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

	Exploration, Production and Distribution of Natural Gas <i>HK\$'000</i>	Sales of Food and Beverages Business <i>HK\$'000</i>	Money Lending Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2021				
Revenue from external customers	<u>353,588</u>	<u>–</u>	<u>–</u>	<u>353,588</u>
Reportable segment profit/(loss) before income tax	<u>222,969</u>	<u>(1,142)</u>	<u>(143)</u>	<u>221,684</u>
Segment results included:				
Interest income	1,230	–	–	1,230
Interest expense	(36,782)	–	–	(36,782)
Depreciation of property, plant and equipment	(38,868)	(246)	–	(39,114)
Depreciation of right-of-use assets	(17,176)	–	–	(17,176)
Amortisation of intangible assets	(29,448)	–	–	(29,448)
Reversal of impairment of property, plant and equipment	20,315	–	–	20,315
Reversal of impairment of intangible assets	78,614	–	–	78,614
Income tax charge	(77,049)	–	–	(77,049)
Addition to capital expenditures	<u>207,160</u>	<u>–</u>	<u>–</u>	<u>207,160</u>
As at 31 December 2021				
Reportable segment assets	<u>2,722,566</u>	<u>663</u>	<u>18</u>	<u>2,723,247</u>
Reportable segment liabilities	<u>(941,512)</u>	<u>–</u>	<u>–</u>	<u>(941,512)</u>

	Exploration, Production and Distribution of Natural Gas <i>HK\$'000</i>	Sales of Food and Beverages Business <i>HK\$'000</i>	Money Lending Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended				
31 December 2020				
Revenue from external customers	<u>173,480</u>	<u>–</u>	<u>–</u>	<u>173,480</u>
Reportable segment loss before income tax	<u>(4,700)</u>	<u>(1,187)</u>	<u>(145)</u>	<u>(6,032)</u>
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	<u>338,551</u>	<u>–</u>	<u>–</u>	<u>338,551</u>
As at 31 December 2020				
Reportable segment assets	2,617,568	1,004	18	2,618,590
Reportable segment liabilities	<u>(1,027,134)</u>	<u>(315)</u>	<u>–</u>	<u>(1,027,449)</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(Loss) before income tax		
Reportable segment profit/(loss) before income tax	221,684	(6,032)
Other income	630	494
Fair value gain of financial assets at fair value through profit or loss	1,386	5,205
Fair value loss of investment properties	–	(380)
Finance costs	(9,496)	(8,570)
Unallocated head office and corporate expenses	(12,436)	(9,810)
	<u>201,768</u>	<u>(19,093)</u>
Assets		
Reportable segment assets	2,723,247	2,618,590
Property, plant and equipment	55,004	56,545
Other receivables, deposits and prepayments	12,806	12,205
Financial assets at fair value through profit or loss	37,654	36,269
Cash and bank balances	22,867	33,759
	<u>2,851,578</u>	<u>2,757,368</u>
Liabilities		
Reportable segment liabilities	941,512	1,027,449
Convertible notes	97,265	87,769
Amount due to a shareholder	32,589	29,730
Other payables and accruals	1,228	1,051
	<u>1,072,594</u>	<u>1,145,999</u>

(c) Disaggregation of revenue from contracts with customers:

	Exploration, Production and Distribution of Natural Gas <i>HK\$'000</i>	2021 Total <i>HK\$'000</i>
Geographical markets		
The People's Republic of China (the "PRC")	<u>353,588</u>	<u>353,588</u>
Major product/service		
Natural gas	<u>353,588</u>	<u>353,588</u>
Timing of revenue recognition		
At a point of time	<u>353,588</u>	<u>353,588</u>

	Exploration, Production and Distribution of Natural Gas <i>HK\$'000</i>	2020 Total <i>HK\$'000</i>
Geographical markets		
The PRC	<u>173,480</u>	<u>173,480</u>
Major product/service		
Natural gas	<u>173,480</u>	<u>173,480</u>
Timing of revenue recognition		
At a point of time	<u>173,480</u>	<u>173,480</u>

(d) Revenue from major customers:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Exploration, Production and Distribution of Natural Gas segment		
Customer A	<u>339,920</u>	163,342
Customer B	<u>13,668</u>	<u>10,138</u>

(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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong (place of domicile)	–	–	55,352	57,138
The PRC	<u>353,588</u>	<u>173,480</u>	<u>2,521,938</u>	<u>2,255,628</u>
	<u><u>353,588</u></u>	<u><u>173,480</u></u>	<u><u>2,577,290</u></u>	<u><u>2,312,766</u></u>

5. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income	1,723	1,907
Reversal of expected credit losses	1,604	233
Government subsidies	–	242
Administrative and management fee income	5,057	5,233
Others	<u>270</u>	<u>57</u>
	<u><u>8,654</u></u>	<u><u>7,672</u></u>

6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on other borrowings	34,103	6,871
Interest on convertible notes	9,496	8,570
Interest on other payables	–	8,853
Interest on lease liabilities	<u>2,679</u>	<u>893</u>
	<u><u>46,278</u></u>	<u><u>25,187</u></u>

7. PROFIT/(LOSS) BEFORE INCOME TAX

The Group's profit/(loss) before income tax is stated after charging:

	2021	2020
	HK\$'000	HK\$'000
Auditors' remuneration	950	920
Staff costs (including directors' remuneration):		
Wages and salaries and other benefits	20,188	19,994
Pension fund contributions	88	87
	<u>20,276</u>	<u>20,081</u>

8. INCOME TAX (CHARGE)/CREDIT

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

	2021	2020
	HK\$'000	HK\$'000
Current tax — the PRC		
Charge for the year	—	—
Deferred tax (charge)/credit	<u>(77,049)</u>	<u>4,397</u>
Total income tax (charge)/credit	<u>(77,049)</u>	<u>4,397</u>

No provision for Hong Kong profits tax has been made as the Group did not have assessable profit for the year.

Under the Enterprise Income Tax Law (“EIT”) and Implementation Regulation of the EIT Law in the PRC, the statutory EIT rate in the PRC is 25% (2020: 25%). In accordance with the approval from the local taxation bureau in the PRC, certain PRC subsidiary of the Group were entitled to a preferential income tax rate of 15% for the year ended 31 December 2021.

9. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2021 (2020: Nil), nor has any dividend been proposed since the end of reporting period.

10. EARNINGS /(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(Loss) attributable to owners of the Company	<u>123,775</u>	<u>(14,173)</u>
	<i>Number of Shares</i>	<i>Number of Shares</i>
Weighted average number of ordinary shares in issue	<u>9,505,344,000</u>	<u>9,505,344,000</u>
	<i>HK Cents</i>	<i>HK Cents</i>
Basic earnings/(loss) per share	<u>1.30</u>	<u>(0.15)</u>

(b) Diluted profit/(loss) per share

The calculation of the diluted earnings per share attributable to the owners of the Company for the year ended 31 December 2021 is based on the following data:

	31 December 2021 <i>HK\$'000</i>
Profit attributable to owners of the Company	123,775
Adjustments for interest on convertible notes	<u>9,496</u>
Profit attributable to owners of the Company for diluted earnings per share	<u>133,271</u>

	Number of shares
Weighted average number of ordinary shares in issue	9,505,344,000
Effect of dilutive potential ordinary shares on convertible notes	<u>4,045,654,761</u>
Weighted average number of ordinary shares for diluted earnings per share	<u><u>13,550,998,761</u></u>
	<i>HK Cents</i>
Diluted earnings per share	<u><u>0.98</u></u>

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2021, the Group incurred property, plant and equipment cost of approximately HK\$131,629,000 (2020: approximately HK\$267,447,000), and an addition of property, plant and equipment of approximately HK\$90,310,000 which was reclassified from exploration and evaluation assets (2020: approximately HK\$56,300,000 which was reclassified from investment properties).

12. EXPLORATION AND EVALUATION ASSETS

During the year ended 31 December 2021, the Group incurred exploration and evaluation cost of approximately HK\$40,881,000 (2020: approximately HK\$71,104,000), and exploration and evaluation assets of approximately HK\$90,310,000 (2020: HK\$Nil) was reclassified to oil properties under property, plant and equipment.

13. INTANGIBLE ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost		
At 1 January	2,849,785	2,656,579
Exchange differences	<u>72,452</u>	<u>193,206</u>
At 31 December	<u>2,922,237</u>	<u>2,849,785</u>
Accumulated amortisation and impairment		
At 1 January	1,650,222	1,515,681
Amortisation	29,448	22,867
Reversal of impairment	(78,164)	–
Exchange differences	<u>41,135</u>	<u>111,674</u>
At 31 December	<u>1,642,641</u>	<u>1,650,222</u>
Carrying amount		
At 31 December	<u><u>1,279,596</u></u>	<u><u>1,199,563</u></u>

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

14. ACCOUNT RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Account receivables		
— Sales of natural gas	1,213	78,694
Loan and interest receivables		
— Others	<u>37,100</u>	<u>37,100</u>
	38,313	115,794
Less: Expected credit losses	<u>(37,100)</u>	<u>(37,107)</u>
	<u><u>1,213</u></u>	<u><u>78,687</u></u>

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 2021:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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.

Material Uncertainty Related to Going Concern

We draw attention to note 3 to the consolidated financial statements which mentions that the Group had net current liabilities of HK\$353,513,000 as at 31 December 2021. This condition indicates 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\$353,588,000 (2020: HK\$173,480,000). The Group’s revenue was principally derived from the exploration, production and distribution of natural gas segment of approximately HK\$353,588,000 (2020: HK\$173,480,000). During the year, the money lending business segment did not contribute any revenue to the Group (2020: Nil), and the sales of food and beverages segment did not contribute any revenue to the Group (2020: Nil) either.

The Group recorded a profit attributable to the owners of the Company in the amount of approximately HK\$123,775,000, compared to a loss of approximately HK\$14,173,000 during last year. The turnaround to profit was mainly due to increase in revenue by approximately HK\$180.1 million or 103.8% as compared to last year and reversal of impairment of approximately HK\$98.5 million, but partially offset by the increase in depreciation of property, plant and equipment of approximately HK\$17.3 million, the increase in depreciation of right-of-use assets of approximately HK\$6.7 million, the increase in amortisation of intangible assets of approximately HK\$6.6 million, the increase in finance costs of approximately HK\$21.1 million and the increase of income tax charge of approximately HK\$81.4 million. Basic and diluted loss per share for the year ended 31 December 2020 of 0.15 HK cents turned around to basic and diluted earnings per share of 1.30 HK cents and 0.98 HK cents, respectively, for the year ended 31 December 2021.

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 (the "**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 ("**Kashi Project**"). 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 of Kashi Project together with the natural gas distribution operation in Karamay, Xinjiang, contributes revenue of approximately HK\$353,588,000 (2020: HK\$173,480,000) and the segment profit before income tax was approximately HK\$222,969,000 (2020's the segment loss before income tax: approximately HK\$4,700,000).

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

	2021	2020
	HK\$'000	HK\$'000
Revenue	353,588	173,480
Direct cost	(47,683)	(45,406)
Other income	8,024	7,154
Reversal of impairment of property, plant and equipment	20,315	–
Reversal of impairment of intangible assets	78,164	–
Selling and distribution expenses	(34,794)	(30,308)
Operating expenses	(32,371)	(37,273)
Depreciation	(56,044)	(32,863)
Amortisation of intangible assets	(29,448)	(22,867)
Finance cost	(36,782)	(16,617)
	<u>222,969</u>	<u>(4,700)</u>
Results of operations before income tax	<u>222,969</u>	<u>(4,700)</u>

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

	2021	2020
	HK\$'000	HK\$'000
Exploration cost	<u>40,881</u>	<u>71,104</u>

Sales of Food and Beverages Business

The Group did not record any revenue from the sales of food and beverages business segment in 2021 and 2020. The segment loss before tax was approximately HK\$1,142,000 (2020: HK\$1,187,000). 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 2021 and 2020 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\$143,000 (2020: HK\$145,000). 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 2021, the Group has outstanding secured other borrowings of approximately HK\$453,750,000 (2020: HK\$389,400,000). The cash and cash equivalents of the Group were approximately HK\$167,280,000 (2020: HK\$167,985,000). The Group's current ratio (current assets to current liabilities) was approximately 40.5% (2020: 50.4%). The ratio of total liabilities to total assets of the Group was approximately 37.6% (2020: 41.6%).

As at 31 December 2021, 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 Nil amount were pledged as security for other borrowings as at 31 December 2021 (2020: HK\$78,334,000). In addition, the rights of natural gas sharing amount and sales revenue under the product sharing agreement and the sales agreement were pledged as security for other borrowings as at 31 December 2021 (2020: same pledge as at 31 December 2021).

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\$114,575,000 (of which approximately HK\$517,233 would be borne by CNPC) (2020: HK\$115,501,000 of which approximately HK\$36,151,000 would be borne by CNPC) and HK\$133,100,000 (2020: HK\$129,800,000) as at 31 December 2021 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 2021 and 2020.

Employee Information

As at 31 December 2021, the Group had a total workforce of 43 (2020: 46). The Group remunerates its employees based on their work performance, working experiences, professional qualifications and the prevailing market practice.

Going Concern Basis

As at 31 December 2021, the Group's current liabilities exceeded its current assets by HK\$353,513,000. This condition indicates 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. Our auditor's opinion includes an emphasis of matter on going concern, without qualification.

The Group's current liabilities as at 31 December 2021 are mainly attributable to property, plant and equipment/exploration and evaluation cost payables in the amount of approximately HK\$399,660,000 (31 December 2020: approximately HK\$474,364,000). The directors of the Company are of the view that the Group will be able to successfully persuade these contractors not to insist on demanding 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 demanding 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 2021. 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 the Company's financial position and/or liquidity, with the objective of removing the emphasis of matter on going concern.

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 going concern basis of the financial statements.

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.

As disclosed in the Company's announcement dated 30 September 2021, in the second half of 2021, further new production wells commenced operation or construction at the Akemomu Gas Field, including: (1) the commencement of operation of a new well, WD-1, which was originally designed as an exploratory well and was turned into a production well due to its production of commercial gas flow; (2) the completion of drilling of a new production well, AK1-H8, which is a horizontal well, currently in the process of well completion, and is expected to be put into operation in or before the first quarter of 2022; and (3) the commencement of drilling of a new production well, AK4-1, which is a vertical well, and is expected to proceed to well completion stage and put into operation in or before the first quarter of 2022.

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 2021.

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 2021, the Group has complied with the CG Code except for the following:

- (a) In relation to Code Provision A.2.1 (subsequently rearranged and renumbered as C.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 Code Provision E.1.2 (subsequently rearranged and renumbered as F.2.2) of the CG Code, the chairman of the Board should attend the annual general meeting 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 meeting to answer questions from Shareholders.
- (c) In relation to Code Provisions A.4.1 and A.4.2 (subsequently rearranged and renumbered as B.2.2) 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 Code Provision A.1.1 (subsequently rearranged and renumbered as C.5.1) of the CG Code, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. In relation to Code Provision C.1.2 (subsequently rearranged and renumbered as D.1.2) of the CG Code, management should provide all members of the board with monthly updates on the issuer's performance, position and prospects, which may include budgets, forecasts, monthly management accounts and material variance between the projections and actual results. During the year, although regular Board meetings were held only on half-yearly basis and management accounts were not circulated to Board members on monthly basis, regular verbal updates were given by the management to the Directors on working level meetings from time to time, which the Directors consider to be sufficient and appropriate in the circumstances to enable them to form a balanced and understandable assessment of the Company's performance and to discharge their duties.
- (e) With respect to Code Provision C.2.5 (subsequently rearranged and renumbered as D.2.5) of the CG Code, an issuer should have an internal audit function and issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report. Due to the nature, size and scale of operations and as a matter of cost-control measures, the Group did not have internal audit function during the Year. However, the Company will carry out review on the adequacy and effectiveness of the risk management and internal control systems of the Group to assess the effectiveness of the risk management and internal control systems.

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.

DIVIDEND

The board of directors of the Company did not recommend any payment of dividend during the year (2020: Nil).

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. Two out of four audit committee members, namely, Mr. Lee Man Tai and Mr. Cheng Chun Ying, possess recognised professional qualifications in accounting and has experience in audit and accounting. No former partner of the Company's existing auditing firm acted as a member of the audit committee within two years from ceasing to be a partner or having any financial interest in the auditing firm. The audit committee has adopted terms of reference which are in line with the CG Code and are available on the websites of the Stock Exchange and the Company. The Group's audited consolidated financial statements for year ended 31 December 2021 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 2021 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 2021 annual report of the Company for the year ended 31 December 2021 will be dispatched to shareholders and made available on the above websites on or before 30 April 2022. The

Company will give further notice on the proposed date of the forthcoming annual general meeting of the Company (the “AGM”) and the book closure period for the purpose of ascertaining shareholders’ eligibility to attend and vote at the AGM.

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 from professional advisers.

APPRECIATION

Looking forward, we will continue our existing strategy of fostering opportunity for sustainable growth with the aim of enhancing return for our shareholders. Finally, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our team of devoted staff for their outstanding service and to our shareholders for your continued support.

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

Hong Kong, 23 March 2022

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.