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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: 00228)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of China Energy Development Holdings Limited (the "**Company**") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020 together with comparative figures as follows. These interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2020

		Unaudited six months ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**72,174**	82,834
Direct cost		**(25,089)**	(27,718)
Other income	4	**1,310**	1,372
Selling and distributing expenses		**(18,699)**	(17,043)
Staff costs		**(8,736)**	(5,987)
Expenses related to short-term leases		**(308)**	(3,779)
Depreciation of right-of-use assets		**(4,018)**	(3,177)
Depreciation of property, plant and equipment		**(5,127)**	(1,896)
Amortisation of intangible assets	11	**(10,878)**	(8,585)
Fair value loss of financial assets at fair value through profit or loss		**(6,329)**	(14,159)
Fair value loss of investment properties		**(380)**	–
Expense charged under Petroleum Contract		**(5,014)**	(7,725)
Other operating expenses		**(9,618)**	(6,690)
Finance costs		**(7,049)**	(16,515)
Loss before income tax	5	**(27,761)**	(29,068)
Income tax charge	6	**(2,775)**	(344)
Loss for the period		**(30,536)**	(29,412)

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
For the six months ended 30 June 2020

	Notes	Unaudited six months ended 30 June 2020 HK$'000	2019 HK$'000
Other comprehensive loss after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations attributable to:			
Owners of the Company		**(28,305)**	(13,459)
Non-controlling interests		**(224)**	(114)
Total comprehensive loss for the period		**(59,065)**	(42,985)
Loss for the period attributable to:			
Owners of the Company		**(29,297)**	(28,782)
Non-controlling interests		**(1,239)**	(630)
		(30,536)	(29,412)
Total comprehensive loss attributable to:			
Owners of the Company		**(57,602)**	(42,241)
Non-controlling interests		**(1,463)**	(744)
		(59,065)	(42,985)
Loss per share	*8*		
— Basic *(HK cents)*		**(0.31)**	(0.30)
— Diluted *(HK cents)*		**(0.31)**	(0.30)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	**Unaudited 30 June 2020** *HK$'000*	Audited 31 December 2019 *HK$'000*
Non-current assets			
Property, plant and equipment		**720,747**	639,110
Investment properties	*10*	**56,300**	56,680
Right-of-use assets		**6,656**	10,773
Exploration and evaluation assets	*11*	**68,105**	20,120
Intangible assets	*12*	**1,109,376**	1,140,898
Deferred tax assets		**93,805**	100,026
		2,054,989	1,967,607
Current assets			
Account and note receivables	*13*	**82,914**	148,344
Financial assets at fair value through profit or loss		**24,735**	31,064
Other receivables, deposits and prepayments		**26,374**	43,391
Cash and bank balances		**194,198**	226,798
		328,221	449,597
Total assets		**2,383,210**	2,417,204
Current liabilities			
Other payables and accruals	*14*	**738,142**	712,367
Lease liabilities		**7,307**	10,604
Amount due to a shareholder		**30,007**	29,551
		775,456	752,522
Net current liabilities		**(447,235)**	(302,925)
Total assets less current liabilities		**1,607,754**	1,664,682

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2020

	Notes	Unaudited 30 June 2020 HK$'000	Audited 31 December 2019 HK$'000
Non-current liabilities			
Other payable and accruals	*14*	**62,649**	61,692
Lease liabilities		**177**	3,283
Convertible notes	*15*	**83,484**	79,199
		146,310	144,174
Net Assets		**1,461,444**	1,520,508
Equity			
Share capital	*16*	**475,267**	475,267
Reserves		**976,836**	1,034,437
Attributable to owners of the Company		**1,452,103**	1,509,704
Non-controlling interests		**9,341**	10,804
Total equity		**1,461,444**	1,520,508

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

a. Statement of compliance

The unaudited condensed consolidated interim financial statements (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Interim Financial Statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019 ("**2019 Annual Report**").

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

b. Basis of measurement and going concern assumption

(i) Basis of measurement

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

(ii) Going concern basis

During the six months ended 30 June 2020, the Group suffered a loss of HK$30,536,000 and at the end of reporting period, its current liabilities exceeded its current assets by HK$447,235,000. 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 30 June 2020 are mainly attributable to property, plant and equipment/exploration and evaluation cost payables amounting to HK$446,744,000 (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 demanding repayment before the fully operation of exploration, production and distribution business in Kashi. However, there is no certainty that these contractors will not demand repayment before the fully operation of exploration, production and distribution business in Kashi.

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 before the fully operation of exploration, production and distribution business in Kashi; 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 30 June 2020.

Subsequent to the reporting period, in July 2020, the Group (as borrower) entered into a loan agreement with a financial institution (as lender) for the obtaining of a loan facility (the "**Loan**") of up to RMB500,000,000, of which RMB100,000,000 has already been drawn down. The Group pledged its receivables from the Petroleum Contract to secure its repayment obligations regarding the Loan.

c. Functional and presentation currency

The condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

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

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The application of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years. The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective. The Directors anticipate that the application of these new standard(s), amendments and interpretation(s) will have no material impact on the unaudited condensed consolidated financial statements.

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 reserves to the segment and to assess its performance. In accordance with the Group's internal organization 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.

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 six months ended 30 June 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 *HK$'000*	**Sales of Food and Beverages Business** *HK$'000*	**Money Lending Business** *HK$'000*	**Total** *HK$'000*
For the six months ended 30 June 2020 (unaudited)				
Revenue from external customers	**72,174**	**–**	**–**	**72,174**
Reportable segment loss before income tax	**(11,537)**	**(610)**	**(48)**	**(12,195)**
Segment results included:				
Interest income	**810**	**–**	**–**	**810**
Interest expense	**(2,764)**	**–**	**–**	**(2,764)**
Amortisation of intangible assets	**(10,878)**	**–**	**–**	**(10,878)**
Depreciation of property, plant and equipment	**(4,978)**	**(123)**	**–**	**(5,101)**
As at 30 June 2020 (unaudited)				
Reportable segment assets	**2,249,905**	**1,193**	**19**	**2,251,117**
Reportable segment liabilities	**(807,863)**	**(257)**	**–**	**(808,120)**

	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 six months ended 30 June 2019 (unaudited)				
Revenue from external customers	82,834	–	–	82,834
Reportable segment loss before income tax	(4,999)	(933)	(88)	(6,020)
Segment results included:				
Interest income	263	–	–	263
Interest expense	(11,694)	–	–	(11,694)
Amortisation of intangible assets	(8,585)	–	–	(8,585)
Depreciation of right-of-use assets	(3,177)	–	–	(3,177)
Depreciation of property, plant and equipment	(1,736)	(123)	–	(1,859)
As at 31 December 2019 (audited)				
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

	Unaudited six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Loss before income tax		
Reportable segment loss before income tax	**(12,195)**	(6,020)
Other income	**467**	951
Fair value loss of financial assets at fair value through profit or loss	**(6,329)**	(14,159)
Fair value loss of investment properties	**(380)**	–
Finance costs	**(4,285)**	(4,821)
Unallocated head office and corporate expenses	**(5,039)**	(5,019)
Loss before income tax	**(27,761)**	(29,068)

	Unaudited	Audited
	30 June	31 December
	2020	2019
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**2,251,117**	2,271,393
Property, plant and equipment	**897**	534
Investment properties	**56,300**	56,680
Other receivables, deposits and prepayments	**16,703**	18,459
Financial assets at fair value through profit or loss	**24,735**	31,064
Cash and bank balances	**33,458**	39,074
Total assets	**2,383,210**	2,417,204

	Unaudited	Audited
	30 June	31 December
	2020	2019
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**808,120**	786,732
Convertible notes	**83,484**	79,199
Amount due to a shareholder	**30,007**	29,551
Other payables and accruals	**155**	1,214
Total liabilities	**921,766**	896,696

(c) Disaggregation of revenue from contracts with customers:

	Unaudited six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Geographical markets		
The PRC	**72,174**	82,834
Total	**72,174**	82,834
Major product/service		
Natural gas	**72,174**	82,834
Total	**72,174**	82,834
Timing of revenue recognition		
At a point of time	**72,174**	82,834
Total	**72,174**	82,834

4. OTHER INCOME

	Unaudited six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Dividend income from financial assets at fair value through profit or loss	**–**	890
Interest income	**1,146**	275
Others	**164**	207
	1,310	1,372

5. LOSS BEFORE INCOME TAX

	Unaudited six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
The Group's loss before income tax is stated after charging:		
Staff costs (including directors remuneration)		
— Wages and salaries and other benefits	**8,693**	5,936
— Pension fund contributions	**43**	51
	8,736	5,987

6. INCOME TAX CHARGE

The amount of taxation in the condensed consolidated statement of comprehensive income represents:

	Unaudited six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Current tax — the People's Republic of China (the "**PRC**")		
Charge for the period	**–**	29
Deferred tax charge	**2,775**	315
	2,775	344

No provision for Hong Kong profits tax has been made as the Group had unused tax losses brought forward for both periods. Provision for enterprise income tax in the PRC are calculated at the tax rate of 25%.

7. DIVIDEND

No dividend was paid or proposed for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil), nor has any dividend been proposed since the end of reporting period.

8. 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 period.

	Unaudited six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Loss attributable to owners of the Company	**(29,297)**	(28,782)
	Number of Shares	
Weighted average number of ordinary shares in issue	**9,505,344,000**	9,505,344,000
	HK Cents	
Basic loss per share	**(0.31)**	(0.30)

(b) Diluted loss per share

For the six months ended 30 June 2020 and 30 June 2019, diluted loss per share is the same as basic loss per share as the potential ordinary shares on convertible notes are anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group purchased property, plant and equipment of approximately HK$99,199,000 (six months ended 30 June 2019: HK$317,000).

10. INVESTMENT PROPERTIES

During the six months ended 30 June 2020, the Group did not acquire any investment properties (six months ended 30 June 2019: Nil).

11. EXPLORATION AND EVALUATION ASSETS

During the six months ended 30 June 2020, the Group purchased exploration and evaluation assets of approximately HK$48,798,000 (six months ended 30 June 2019: HK$80,853,000).

12. INTANGIBLE ASSETS

As at 30 June 2020, the interest in the petroleum production sharing contract acquired in previous years in relation to the acquisition of subsidiaries was recognised as intangible assets at costs. For the six months ended 30 June 2020, amortisation of HK$10,878,000 (six months ended 30 June 2019: HK$8,585,000) was provided and is amortised under unit of production method.

No impairment loss of intangible assets was recognised during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

The pre-tax discount rates used for value in use calculation is 15.3% and 15.8% for the six months ended 30 June 2020 and year ended 31 December 2019 respectively.

13. ACCOUNT RECEIVABLES

	Unaudited 30 June 2020 *HK$'000*	Audited 31 December 2019 *HK$'000*
Account receivables	**82,914**	48,816
Note receivable	**–**	99,528
	82,914	148,344

Account receivables represent the receivables recognised under the production sharing contract with CNPC for the Group's operation in Kashi, the PRC. The Group recognised revenue in relation to this operation during the current period. Sales to customer is normally made with credit terms of 30 to 60 days. Account receivables of HK$40,801,000 as at 30 June 2020 (31 December 2019: Nil) is past due but not impaired, since the Directors regarded the counter-party risk as small. The Group did not hold any collateral over the balance.

Note receivables represent the repayments from CNPC through the issue of bank's acceptance bill with six months maturity period.

The balance of sales of natural gas are non-interest bearing. None of the account receivables and note receivables are pledged to secure the Group's banking facility as at 30 June 2020 (31 December 2019: Nil). The pledge of receivables in support of the Loan occurred after the end of the reporting period.

The aging analysis of account receivables at the end of the reporting period, presented based on the revenue recognition dates, and net of allowance, is as follows:

	As at 30 June 2020 (Unaudited) ***HK$'000***	As at 31 December 2019 (Audited) *HK$'000*
Within 3 months	**42,113**	48,820
More than 3 months but within 6 months	**40,801**	–
	82,914	48,820

14. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2020 (Unaudited) ***HK$'000***	As at 31 December 2019 (Audited) *HK$'000*
Non-current:		
Property, plant and equipment/exploration and evaluation cost payables *(note (a))*	**62,649**	61,692
Current:		
Property, plant and equipment/exploration and evaluation cost payables *(note (a))*	**446,744**	499,968
Receipts in advance	**208,471**	160,371
Tax payables	**3,218**	5,452
Other payables	**8,159**	9,034
Accrued expenses	**71,550**	37,542
	738,142	712,367
	800,791	774,059

note (a): Property, plant and equipment/exploration and evaluation cost payables represents balances payable in 2021 to sub-contractors engaged by the Group to perform exploration, evaluation and development works on the area designated in the Petroleum Contract. The effective interest rate of non-current property, plant and equipment/exploration and evaluation cost payables was 6.98%.

15. CONVERTIBLE NOTES

The movement of the principal amount, liability component and equity component of the convertible notes are as follows:

	Carrying amount	
	Liability component	**Equity component**
	HK$'000	*HK$'000*
As at 31 December 2019 and 1 January 2020 (audited)	79,199	695,828
Interest expenses (unaudited)	4,285	–
As at 30 June 2020 (unaudited)	83,484	695,828

Up to 30 June 2020, convertible notes with principal amount of HK$599,330,000 have been converted into ordinary shares of the Company. No convertible notes have been converted during the six months ended 30 June 2020 and the year ended 31 December 2019.

The convertible notes with outstanding principal amount of HK$679,670,000 as at 30 June 2020 and 31 December 2019 have maturity date falling 30 years from the date of issue on 3 January 2011.

16. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.05 each		
At 30 June 2020 (unaudited) and 31 December 2019 (audited)	25,000,000,000	1,250,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
At 30 June 2020 (unaudited) and 31 December 2019 (audited)	9,505,344,000	475,267

17. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with related parties:

	Unaudited six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Shareholder loan interest expenses	**–**	955
Key management personnel remuneration:		
Directors — short-term employee benefits	**924**	948

18. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, in July 2020, the Group's investment properties amounted to HK$56,300,000 were transferred to property, plant and equipment due to change of use of properties to owner-occupation.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

During the six months ended 30 June 2020 under review, the Group recorded a turnover of approximately HK$72,174,000 (six months ended 30 June 2019: HK$82,834,000). The Group's turnover was principally derived from the exploration, production and distribution of natural gas segment of HK$72,174,000 (six months ended 30 June 2019: HK$82,834,000).

The Group recorded a loss for the period of approximately HK$30,536,000 for the six months ended 30 June 2020, as compared to a loss of approximately HK$29,412,000 during the corresponding period in 2019, which is similar to last year. Loss per share attributable to the owners of the Company was 0.31 HK cents (2019: 0.3 HK cents).

The other operating expenses of the Group for the six months ended 30 June 2020 amounted to approximately HK$9.62 million (six months ended 30 June 2019: HK$6.69 million), which comprise: (i) legal, audit and professional fees of approximately HK$1.77 million; (ii) local taxes of approximately HK$0.64 million; (iii) repair and maintenance expenses of approximately HK$1.99 million; (iv) reimbursement of staff traveling expenses of approximately HK$0.86 million; (v) listing fee of approximately HK$0.63 million; and (vi) miscellaneous operating costs (such as insurance, motor vehicles, property management and technical support) in the amount of approximately HK$3.73 million.

Business Review

Exploration, Production and Distribution of Natural Gas Segment

The Group'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, exploitation and production of oil and/or natural gas in a site located at North Kashi Block, Tarim Basin, Xinjiang (the "**Kashi Project**"). The Petroleum Contract is for a term of 30 years commencing on 1 June 2009.

Under the Petroleum Contract, the Group shall apply its appropriate and advanced technology and management expertise and assign its competent experts to perform exploration, development, and production of natural gas and/or oil within the site. Under the Petroleum Contract, in the event that any oil field and/or gas field is discovered within the site, the development costs shall be borne by CNPC and the Group 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. On 20 June 2019, China Era and CNPC entered into a second supplemental agreement to the Petroleum Contract (the "**2nd Supplemental Agreement**") to set out 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. As disclosed in the Company's announcement dated 28 April 2020, the Gas Sales Agreements ("**GSA**") was signed on 27 April 2020.

The Group's exploration, production and distribution of natural gas segment comprises the natural gas exploration, production and distribution under Kashi Project and the Group's natural gas distribution operation in Karamay, Xinjiang. During the period, this segment contributed revenue of HK$72,174,000 (six months ended 30 June 2019: HK$82,834,000) and recorded segment loss before income tax of approximately HK$11,537,000 (six months ended 30 June 2019: HK$4,999,000). Regarding the Kashi Project, the Group's sharing of natural gas under the Petroleum Contract was approximately 61 million cubic meters ("**MMm^3**") during the six months ended 30 June 2020 (six months ended 30 June 2019: 69 MMm^3).

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*

	Unaudited six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Revenue	**72,174**	82,834
Direct cost	**(25,089)**	(27,718)
Other income	**828**	421
Selling and distribution expenses	**(18,699)**	(17,043)
Operating expenses	**(18,114)**	(18,301)
Amortisation	**(10,878)**	(8,585)
Depreciation	**(8,995)**	(4,913)
Finance cost	**(2,764)**	(11,694)
Loss from operations before income tax expenses	**(11,537)**	(4,999)

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

	Unaudited six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Exploration cost	**48,798**	80,853

Sales of Food and Beverages Business

For the six month ended 30 June 2020, the Group did not record any revenue from the sales of food and beverages business segment (six months ended 30 June 2019: Nil). The segment loss before tax expenses was approximately HK$610,000 (six months ended 30 June 2019: HK$933,000). The Group intends to reduce reliance on the sales of food and beverage. We will continue to keep track of the economic environment and review the future allocation of resources as and when required.

Money Lending Business

For the six months ended 30 June 2020, no revenue is generated 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) (six months ended 30 June 2019: Nil). The segment loss before tax expenses was approximately HK$48,000 (six months ended 30 June 2019: HK$88,000). 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 30 June 2020, the Group had no outstanding bank borrowings (31 December 2019: Nil). The cash and cash equivalents of the Group were approximately HK$194,198,000 (31 December 2019: HK$226,798,000). The Group's current ratio (current assets to current liabilities) was approximately 42.3% (31 December 2019: 59.7%). The ratio of total liabilities to total assets of the Group was approximately 38.6% (31 December 2019: 36.9%).

As at 30 June 2020, the Company has outstanding convertible notes in the principal amount of HK$679,670,000 due in 2041 not carrying any interest with right to convert the convertible notes 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 period, no convertible note was converted to ordinary shares of the Company.

Charge of Assets

None of the assets of the Group were pledged as security for any banking facilities and borrowings as at 30 June 2020 (31 December 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 minimize currency risks. The Group, after reviewing its exposure for the time being, did not enter into any derivative contracts aimed at minimizing 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

As at 30 June 2020, the Group had capital commitments relating to Kashi Project of approximately HK$417,000,000 (31 December 2019: HK$522,640,000) (including approximately HK$177,700,000 which would be borne by CNPC), and approximately HK$118,800,000 (31 December 2019: HK$121,000,000) relating to capital contributions in a subsidiary of the Group, respectively.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2020 and 31 December 2019.

Employee Information

As at 30 June 2020, the Group had a total workforce of 48 (31 December 2019: 50). The Group remunerates its employees based on their work performance, working experiences, professional qualifications and the prevailing market practice.

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 commence on the date after the date of filing completion of the ODP and end 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. As disclosed in the Company's announcement dated 3 July 2020, the gas production capacity construction of Kashi Project has commenced operation on 1 July 2020.

The Group's operation center of Kashi Project is situated at Xinjiang Uygur Autonomous Region. Since around mid-July 2020, public health and travel restriction measures were again tightened in Xinjiang to combat the resurgence of infected cases of COVID-19. While the impact on the Group's operations of pipeline supply of natural gas is small, it is possible that the ongoing construction works of the Kashi Project may experience certain delay. Any development of the COVID-19 epidemic may affect the economic environment and have an impact on the financial position and performance of the Group, the extent of which could not be estimated at this stage. The Group will continue to monitor the development of the epidemic and react actively to its impact to the Group, if any. Further announcement(s) will be made by the Company as and when there is any update on the operations of the Group, including any significant progress of the Kashi Project.

Subsequent to the reporting period, in July 2020, the Group (as borrower) entered into a loan agreement with a financial institution (as lender) for the obtaining of a loan facility (the "**Loan**") of up to RMB500,000,000, of which RMB100,000,000 has already been drawn down. The Group pledged its receivables from the Petroleum Contract to secure its repayment obligations regarding the Loan. 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.

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

OTHER INFORMATION

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 six months ended 30 June 2020, the Group has complied with the CG Code except for the following:

a. Pursuant 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. At all times during the period under review, Mr. Zhao Guoqiang is the CEO of the Company. The position of chairman is vacated and the Board intends to identify suitable candidate to fill the vacancy.

b. According to E.1.2 of the CG Code, the chairman of the Board should attend the AGM. The position of chairman is vacated and the Board intends to identify suitable candidate to fill the vacancy.

c. Pursuant 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 period 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. According to A.6.7 of the CG Code, independent non–executive directors and other non-executive directors should attend the Company's AGM. Certain Directors were unable to attend the Company's AGM held on 23 June 2020 due to other business commitments. However, views expressed by shareholders at general meetings are recorded and circulated for discussion by all directors regardless of attendance. The Company will plan its dates of meetings in advance 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

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 unaudited financial statements for the six months ended 30 June 2020 have been reviewed by the audit committee, who is of the opinion that such statements comply with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND REPORT

This interim 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 interim report of the Company for the six months ended 30 June 2020 containing all information required by the Listing Rules will be dispatched to Shareholders and made available on the above websites in due course.

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

Hong Kong, 25 August 2020

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 an executive director; Dr. Gu Quan Rong as a non-executive director; and Mr. Zong Ketao, Mr. Cheng Chun Ying and Mr. Lee Man Tai as independent non-executive directors.