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(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00228)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 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 2021*

	<i>Notes</i>	<b>Unaudited</b>	
		<b>six months ended 30 June</b>	
		<b>2021</b>	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>202,564</b>	72,174
Direct cost		<b>(21,710)</b>	(25,089)
Other income	4	<b>990</b>	1,310
Selling and distributing expenses		<b>(20,256)</b>	(18,699)
Staff costs		<b>(9,021)</b>	(8,736)
Expenses related to short-term leases		<b>(552)</b>	(308)
Depreciation of right-of-use assets		<b>(5,101)</b>	(4,018)
Depreciation of property, plant and equipment		<b>(20,984)</b>	(5,127)
Amortisation of intangible assets	11	<b>(17,463)</b>	(10,878)
Fair value gain/(loss) of financial assets at fair value through profit or loss		<b>125</b>	(6,329)
Fair value loss of investment properties		<b>–</b>	(380)
Expense charged under Petroleum Contract		<b>(5,984)</b>	(5,014)
Other operating expenses		<b>(6,444)</b>	(9,618)
Finance costs		<b>(21,791)</b>	(7,049)
		<hr/>	<hr/>
<b>Profit/(Loss) before income tax</b>	5	<b>74,373</b>	(27,761)
Income tax charge	6	<b>(27,042)</b>	(2,775)
		<hr/>	<hr/>
<b>Profit/(Loss) for the period</b>		<b>47,331</b>	(30,536)
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\* For identification purposes only

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(CONTINUED)**

*For the six months ended 30 June 2021*

		<b>Unaudited</b>	
		<b>six months ended 30 June</b>	
	<i>Notes</i>	<b>2021</b>	2020
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Other comprehensive income/(loss) after tax:</b>			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations attributable to:			
Owners of the Company		<b>13,367</b>	(28,305)
Non-controlling interests		<b>112</b>	(224)
		<u>13,367</u>	<u>(28,305)</u>
<b>Total comprehensive income/(loss) for the period</b>		<b>60,810</b>	(59,065)
		<u>60,810</u>	<u>(59,065)</u>
<b>Profit/(Loss) for the period attributable to:</b>			
Owners of the Company		<b>48,061</b>	(29,297)
Non-controlling interests		<b>(730)</b>	(1,239)
		<u>48,061</u>	<u>(29,297)</u>
		<b>47,331</b>	(30,536)
		<u>47,331</u>	<u>(30,536)</u>
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		<b>61,428</b>	(57,602)
Non-controlling interests		<b>(618)</b>	(1,463)
		<u>61,428</u>	<u>(57,602)</u>
		<b>60,810</b>	(59,065)
		<u>60,810</u>	<u>(59,065)</u>
<b>Earnings/(Loss) per share</b>			
— Basic (HK cents)	8	<b>0.51</b>	(0.31)
		<u>0.51</u>	<u>(0.31)</u>
— Diluted (HK cents)		<b>0.51</b>	(0.31)
		<u>0.51</u>	<u>(0.31)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	9	1,018,613	1,001,332
Right-of-use assets		14,428	14,699
Exploration and evaluation assets	10	113,813	97,172
Intangible assets	11	1,192,266	1,199,563
Deferred tax assets		83,418	109,532
		2,422,538	2,422,298
<b>Current assets</b>			
Account and note receivables	12	59,501	78,687
Financial assets at fair value through profit or loss		36,394	36,269
Other receivables, deposits and prepayments		37,215	52,129
Cash and bank balances		180,653	167,985
		313,763	335,070
<b>Total assets</b>		2,736,301	2,757,368
<b>Current liabilities</b>			
Other payables and accruals	13	537,834	627,471
Lease liabilities		5,761	7,393
Amount due to a shareholder		29,605	29,730
		573,200	664,594
<b>Net current liabilities</b>		(259,437)	(329,524)
<b>Total assets less current liabilities</b>		2,163,101	2,092,774

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)**

*At 30 June 2021*

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>			
Other borrowings	<i>14</i>	<b>392,700</b>	389,400
Lease liabilities		<b>5,705</b>	4,236
Convertible notes	<i>15</i>	<b>92,517</b>	87,769
		<u><b>490,922</b></u>	<u>481,405</u>
<b>Net Assets</b>		<u><b>1,672,179</b></u>	<u>1,611,369</u>
<b>Equity</b>			
Share capital	<i>16</i>	<b>475,267</b>	475,267
Reserves		<b>1,186,343</b>	1,124,915
		<u><b>1,661,610</b></u>	<u>1,600,182</u>
Attributable to owners of the Company		<b>1,661,610</b>	1,600,182
Non-controlling interests		<b>10,569</b>	11,187
		<u><b>1,672,179</b></u>	<u>1,611,369</u>
<b>Total equity</b>		<u><b>1,672,179</b></u>	<u>1,611,369</u>

## 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 2020 (“**2020 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 2020.

#### 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*

As at 30 June 2021, the current liabilities of the Group exceeded its current assets by HK\$259,437,000. This situation 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.

The Group’s current liabilities as at 30 June 2021 are mainly attributable to property, plant and equipment/exploration and evaluation cost payables amounting to HK\$407,343,000. 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 repayment of the construction cost payables; (iii) the Group being able to raise adequate funding through bank borrowings or otherwise; and (iv) the Group being able to maintain the level of cashflow from operations which is in line with that of the six months ended 30 June 2021. 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 2021.

**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 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 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 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>
<b>For the six months ended 30 June 2021</b>				
<b>(unaudited)</b>				
Revenue from external customers	202,564	-	-	202,564
Reportable segment profit/(loss) before income tax	83,534	(544)	(63)	82,927
Segment results included:				
Interest income	586	-	-	586
Interest expense	(17,043)	-	-	(17,043)
Amortisation of intangible assets	(17,463)	-	-	(17,463)
Depreciation of property, plant and equipment	(20,085)	(123)	-	(20,208)
<b>As at 30 June 2021 (unaudited)</b>				
Reportable segment assets	2,602,440	812	18	2,603,270
Reportable segment liabilities	(941,344)	(373)	-	(941,717)
	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>
<b>For the six months ended 30 June 2020</b>				
<b>(unaudited)</b>				
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)
<b>As at 31 December 2020 (audited)</b>				
Reportable segment assets	2,617,568	1,004	18	2,618,590
Reportable segment liabilities	(1,027,134)	(315)	-	(1,027,449)

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

	Unaudited six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
<b>Profit/(Loss) before income tax</b>		
Reportable segment profit/(loss) before income tax	82,927	(12,195)
Other income	273	467
Fair value gain/(loss) of financial assets at fair value through profit or loss	125	(6,329)
Fair value loss of investment properties	–	(380)
Finance costs	(4,748)	(4,285)
Unallocated head office and corporate expenses	(4,204)	(5,039)
	<u>74,373</u>	<u>(27,761)</u>
	<b>Unaudited 30 June 2021 HK\$'000</b>	<b>Audited 31 December 2020 HK\$'000</b>
<b>Assets</b>		
Reportable segment assets	2,603,270	2,618,590
Property, plant and equipment	55,781	56,545
Other receivables, deposits and prepayments	12,647	12,205
Financial assets at fair value through profit or loss	36,394	36,269
Cash and bank balances	28,209	33,759
	<u>2,736,301</u>	<u>2,757,368</u>
	<b>Unaudited 30 June 2021 HK\$'000</b>	<b>Audited 31 December 2020 HK\$'000</b>
<b>Liabilities</b>		
Reportable segment liabilities	941,717	1,027,449
Convertible notes	92,517	87,769
Amount due to a shareholder	29,605	29,730
Other payables and accruals	283	1,051
	<u>1,064,122</u>	<u>1,145,999</u>

(c) Disaggregation of revenue from contracts with customers:

	Unaudited six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>Geographical markets</b>		
The PRC	<u>202,564</u>	<u>72,174</u>
Total	<u><u>202,564</u></u>	<u><u>72,174</u></u>
<b>Major product/service</b>		
Natural gas	<u>202,564</u>	<u>72,174</u>
Total	<u><u>202,564</u></u>	<u><u>72,174</u></u>
<b>Timing of revenue recognition</b>		
At a point of time	<u>202,564</u>	<u>72,174</u>
Total	<u><u>202,564</u></u>	<u><u>72,174</u></u>

4. OTHER INCOME

	Unaudited six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest income	831	1,146
Others	<u>159</u>	<u>164</u>
	<u><u>990</u></u>	<u><u>1,310</u></u>

5. PROFIT/(LOSS) BEFORE INCOME TAX

	Unaudited six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
The Group's Profit/(loss) before income tax is stated after charging:		
Staff costs (including directors remuneration)		
— Wages and salaries and other benefits	8,977	8,693
— Pension fund contributions	<u>44</u>	<u>43</u>
	<u><u>9,021</u></u>	<u><u>8,736</u></u>

## 6. INCOME TAX CHARGE

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

	<b>Unaudited</b>	
	<b>six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax	–	–
Deferred tax charge	<u>27,042</u>	<u>2,775</u>
	<u><b>27,042</b></u>	<u><b>2,775</b></u>

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong during both periods. No provision for Enterprise Income Tax in the PRC has been made as the Group had unused tax losses brought forward to offset the current period's profit.

## 7. DIVIDEND

No dividend was paid or proposed for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil), nor has any dividend been proposed since the end of reporting period.

## 8. EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

Basic earnings/(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.

	<b>Unaudited</b>	
	<b>six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit/(Loss) attributable to owners of the Company	<u>48,061</u>	<u>(29,297)</u>
	<b>Number of Shares</b>	
Weighted average number of ordinary shares in issue	<u>9,505,344,000</u>	<u>9,505,344,000</u>
	<b>HK Cents</b>	
Basic earnings/(loss) per share	<u>0.51</u>	<u>(0.31)</u>

### (b) Diluted earnings/(loss) per share

For the six months ended 30 June 2021 and 30 June 2020, diluted earnings/(loss) per share is the same as basic earnings/(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 2021, the Group purchased property, plant and equipment of approximately HK\$30,124,000 (six months ended 30 June 2020: HK\$99,199,000).

## 10. EXPLORATION AND EVALUATION ASSETS

During the six months ended 30 June 2021, the Group purchased exploration and evaluation assets of approximately HK\$15,818,000 (six months ended 30 June 2020: HK\$48,798,000).

## 11. INTANGIBLE ASSETS

As at 30 June 2021, 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 2021, amortisation of HK\$17,463,000 (six months ended 30 June 2020: HK\$10,878,000) 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 2021 (six months ended 30 June 2020: Nil).

The pre-tax discount rates used for value in use calculation is 16.2% and 16.8% for the six months ended 30 June 2021 and year ended 31 December 2020 respectively.

## 12. ACCOUNT RECEIVABLES

Account receivables represent the receivables recognised from the exploration, production and distribution of natural gas segment. Sales to customer is normally made with credit terms of 30 to 60 days. Account receivables as at 30 June 2021 (31 December 2020: Nil) is neither past due nor impaired. The Group did not hold any collateral over the balance.

The balance of sales of natural gas are non-interest bearing. Account receivables in the amount of approximately HK\$58,923,000 were pledged as security for other borrowings as at 30 June 2021 (31 December 2020: HK\$78,334,000).

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:

	<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	<b>As at 31 December 2020 (Audited) HK\$'000</b>
Within 3 months	<b><u>59,501</u></b>	<b><u>78,687</u></b>

### 13. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Property, plant and equipment/exploration and evaluation cost payables (note (a))	407,343	474,364
Other payables and accruals (note (b))	<u>130,491</u>	<u>153,107</u>
	<u><u>537,834</u></u>	<u><u>627,471</u></u>

note (a): Property, plant and equipment/exploration and evaluation cost payables represents balances payable to sub-contractors engaged by the Group to perform exploration, evaluation and development works on the area designated in the Petroleum Contract.

note (b): Included above are the receipt in advance from CNPC amounted to HK\$75,164,000 (31 December 2020: HK\$105,162,000).

### 14. OTHER BORROWINGS

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Secured other borrowings — non-current	<u><u>392,700</u></u>	<u><u>389,400</u></u>

The other borrowings were denominated in RMB, charged at 8.5% per annum, repayable partly in 2 years and fully in 3 years from the drawdown date and pledged by the account receivables of the Group (Note 12) under the Petroleum Contract dated 22 December 2008, the supplemental contract dated 6 December 2017, the second supplemental contract dated 20 June 2019 and the gas sales agreement dated 27 April 2020.

## 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 <i>HK\$'000</i>	Equity component <i>HK\$'000</i>
As at 31 December 2020 and 1 January 2021 (audited)	87,769	695,828
Interest expenses (unaudited)	<u>4,748</u>	<u>–</u>
As at 30 June 2021 (unaudited)	<u><u>92,517</u></u>	<u><u>695,828</u></u>

Up to 30 June 2021, 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 2021 and the year ended 31 December 2020.

The convertible notes with outstanding principal amount of HK\$679,670,000 as at 30 June 2021 and 31 December 2020 have maturity date falling 30 years from the date of issue on 3 January 2011.

## 16. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.05 each		
At 30 June 2021 (unaudited) and 31 December 2020 (audited)	<u>25,000,000,000</u>	<u>1,250,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.05 each		
At 30 June 2021 (unaudited) and 31 December 2020 (audited)	<u>9,505,344,000</u>	<u>475,267</u>

## 17. RELATED PARTY TRANSACTIONS

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

	Unaudited six months ended 30 June	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Key management personnel remuneration:		
Directors — short-term employee benefits	<u>786</u>	<u>924</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Results

During the six months ended 30 June 2021 under review, the Group recorded a turnover of approximately HK\$202,564,000 (six months ended 30 June 2020: HK\$72,174,000). The Group's turnover was principally derived from the exploration, production and distribution of natural gas segment of HK\$202,564,000 (six months ended 30 June 2020: HK\$72,174,000).

The Group recorded a profit of approximately HK\$47,331,000 for the six months ended 30 June 2021, as compared to a loss of approximately HK\$30,536,000 during the corresponding period in 2020. The turnaround to profit was mainly due to the increase in revenue by approximately HK\$130,390,000 or 180% as compared with corresponding period, but partially offset by the increase in depreciation of property, plant and equipment, amortisation of intangible assets, finance cost and income tax charge of approximately HK\$61,451,000 in aggregate. Earnings per share attributable to the owners of the Company was 0.51 HK cents (2020: loss of 0.31 HK cents per share).

### 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 PRC (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, the PRC. During the period, this segment contributed revenue of HK\$202,564,000 (six months ended 30 June 2020: HK\$72,174,000) and recorded segment profit before income tax of approximately HK\$83,534,000 (six months ended 30 June 2020: segment loss before income tax of approximately HK\$11,537,000). Regarding the Kashi Project, the Group’s sharing of natural gas under the Petroleum Contract was approximately 202 million cubic meters (“**MMm<sup>3</sup>**”) for the six months ended 30 June 2021 (six months ended 30 June 2020: 61 MMm<sup>3</sup>).

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*

	<b>Unaudited</b>	
	<b>six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$’000</b>	HK\$’000
Revenue	<b>202,564</b>	72,174
Direct cost	<b>(21,710)</b>	(25,089)
Other income	<b>717</b>	828
Selling and distribution expenses	<b>(20,256)</b>	(18,699)
Operating expenses	<b>(18,089)</b>	(18,114)
Amortisation	<b>(17,463)</b>	(10,878)
Depreciation	<b>(25,186)</b>	(8,995)
Finance cost	<b>(17,043)</b>	(2,764)
	<b>83,534</b>	(11,537)
Profit/(Loss) from operations before income tax expenses	<b>83,534</b>	(11,537)

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

	<b>Unaudited</b>	
	<b>six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Exploration cost	<b>15,818</b>	<b>48,798</b>

### ***Sales of Food and Beverages Business***

For the six month ended 30 June 2021, the Group did not record any revenue from the sales of food and beverages business segment (six months ended 30 June 2020: Nil). The segment loss before tax expenses was approximately HK\$544,000 (six months ended 30 June 2020: HK\$610,000). The food and beverage industry was greatly affected by COVID-19 outbreak since early 2020. 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 2021, 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 2020: Nil). The segment loss before tax expenses was approximately HK\$63,000 (six months ended 30 June 2020: HK\$48,000). Due to uncertainties on economic outlook affected by COVID-19 and Sino-US trade tension, 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 2021, the Group has outstanding secured other borrowings of approximately HK\$392,700,000 (31 December 2020: HK\$389,400,000). The cash and cash equivalents of the Group were approximately HK\$180,653,000 (31 December 2020: HK\$167,985,000). The Group's current ratio (current assets to current liabilities) was approximately 54.7% (31 December 2020: 50.4%). The ratio of total liabilities to total assets of the Group was approximately 38.9% (31 December 2020: 41.6%).

As at 30 June 2021, 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***

Account receivables in the amount of approximately HK\$58,923,000 were pledged as security for other borrowings as at 30 June 2021 (31 December 2020: HK\$78,334,000).

### ***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 2021, the Group had capital commitments relating to Kashi Project of approximately HK\$48,508,000 (31 December 2020: HK\$115,501,000) (including approximately HK\$8,938,000 which would be borne by CNPC), and approximately HK\$130,900,000 (31 December 2020: HK\$129,800,000) relating to capital contributions in a subsidiary of the Group, respectively.

### ***Contingent Liabilities***

The Group had no material contingent liabilities as at 30 June 2021 and 31 December 2020.

### ***Employee Information***

As at 30 June 2021, the Group had a total workforce of 43 (31 December 2020: 46). 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 extended by CNPC pursuant to the Supplemental Agreement), 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 the operation of the new gas processing facilities on 1 July 2020, the Joint Management Committee of North Kashi Block Cooperation 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.

### ***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 uncertainties on the economic outlook. 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 the maintenance of 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 2021, 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 1 June 2021 due to COVID-19 travel restrictions or 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 2021 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 2021 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, 26 August 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 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.*