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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 2023

HIGHLIGHTS

Year ended 31 December

	2023	2022	Increase/ (decrease)%
Revenue (HK'000)	332,034	323,028	2.8
EBITDA ⁽¹⁾ (HK\$'000)	219,443	216,958	1.1
Profit attributable to owners of the Company (HK'000)	69,529	83,265	(16.5)
Earnings per share			
– Basic (HK cents)	0.73	0.88	(17.0)
– Diluted (HK cents)	0.60	0.69	(13.0)

Note 1: EBITDA represents the EBITDA of the Company and its subsidiaries. EBITDA, which is a non-Hong Kong Financial Reporting Standards (“HKFRS”) financial measure used to measure the Group’s operating profitability, is defined as the earnings before net interest and other finance costs, taxation, impairment and/or reversal of impairment, fair value change in financial assets, depreciation and amortisation.

* 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 2023 together with comparative figures for 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 HK\$’000	2022 <i>HK\$’000</i>
Revenue	4	332,034	323,028
Direct cost		(48,367)	(49,133)
Other income	5	5,414	8,152
Selling and distribution expenses		(29,052)	(29,823)
Staff costs		(18,217)	(20,696)
Expenses related to short-term leases		(3,261)	(692)
Depreciation of property, plant and equipment		(36,173)	(36,935)
Depreciation of right-of-use assets		(9,166)	(11,300)
Fair value loss of financial assets at fair value through profit or loss		(1,603)	(8,801)
Amortisation of intangible assets		(25,872)	(26,513)
(Provision)/reversal of impairment of property, plant and equipment		(1,803)	2,686
(Provision)/reversal of impairment of intangible assets		(3,330)	10,340
Provision of impairment of other receivables, net		(1,555)	–
Expenses charged under Petroleum Contract		(8,958)	(7,820)
Other operating expenses		(10,150)	(6,058)
Finance costs	6	(49,176)	(54,616)
Profit before income tax	7	90,765	91,819
Income tax charge	8	(21,885)	(8,856)
Profit for the year		68,880	82,963

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Other comprehensive income/(loss) after tax:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations attributable to:			
Owners of the Company		(63,177)	(134,252)
Non-controlling interests		(465)	(1,077)
		<u>(63,642)</u>	<u>(135,329)</u>
Total comprehensive income/(loss) for the year		<u>5,238</u>	<u>(52,366)</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		69,529	83,265
Non-controlling interests		(649)	(302)
		<u>68,880</u>	<u>82,963</u>
Total comprehensive income/(loss) attributable to:			
Owners of the Company		6,352	(50,987)
Non-controlling interests		(1,114)	(1,379)
		<u>5,238</u>	<u>(52,366)</u>
Earnings per share (<i>HK cents</i>)			
– Basic	10(a)	<u>0.73</u>	<u>0.88</u>
– Diluted	10(b)	<u>0.60</u>	<u>0.69</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	11	1,116,277	1,163,006
Right-of-use assets		5,723	12,820
Exploration and evaluation assets	12	256	265
Intangible assets	13	1,097,996	1,168,668
Deferred tax assets		321	22,820
Total non-current assets		2,220,573	2,367,579
Current assets			
Account receivables	14	49,650	187
Financial assets at fair value through profit or loss		27,251	28,854
Other receivables, deposits and prepayments		23,743	32,193
Cash and bank balances		45,203	131,296
Total current assets		145,847	192,530
Total assets		2,366,420	2,560,109
Current liabilities			
Other payables and accruals		125,041	196,240
Lease liabilities		2,182	8,106
Amount due to a shareholder		33,835	33,835
Other borrowings		143,640	305,760
Total current liabilities		304,698	543,941
Net current liabilities		(158,851)	(351,411)
Total assets less current liabilities		2,061,722	2,016,168

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		894	1,441
Other borrowings		209,520	180,320
Convertible notes	15	119,452	107,789
		<hr/>	<hr/>
Total non-current liabilities		329,866	289,550
		<hr/>	<hr/>
Net assets		1,731,856	1,726,618
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Share capital		475,267	475,267
Reserves		1,246,598	1,240,246
		<hr/>	<hr/>
Attributable to owners of the Company		1,721,865	1,715,513
Non-controlling interests		9,991	11,105
		<hr/>	<hr/>
Total equity		1,731,856	1,726,618
		<hr/> <hr/>	<hr/> <hr/>

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 (the “**Stock Exchange**”) 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 (Cap. 622, Laws of Hong Kong) 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 2022.

(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\$158,851,000. 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 2023 are mainly attributable to property, plant and equipment/exploration and evaluation cost payables amount to approximately HK\$77,256,000 (31 December 2022: HK\$142,966,000) and other borrowings amounting to HK\$143,640,000 (31 December 2022: HK\$305,760,000). 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 of the construction cost payables and negotiate with the creditor in the People's Republic of China (the "PRC") to extend the borrowing period. However, there is no certainty that these contractors and the creditor 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) U.K. Prolific Petroleum, a single largest substantial shareholder expressed willingness to provide financial support in case the Company is unable to meet all the obligations; (ii) the Group being able to successfully persuade these contractors not to insist on demanding repayment of the construction cost payables and negotiate with the creditor in the PRC to extend the borrowing period; 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 2023.

(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 HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. 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 2023 and 2022 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 year ended 31 December 2023				
Revenue from external customers	<u>332,034</u>	<u>–</u>	<u>–</u>	<u>332,034</u>
Reportable segment profit/(loss) before income tax	<u>114,598</u>	<u>(410)</u>	<u>(209)</u>	<u>113,979</u>
Segment results included:				
Interest income	871	–	–	871
Interest expense	(37,513)	–	–	(37,513)
Depreciation of property, plant and equipment	(34,513)	(102)	–	(34,615)
Depreciation of right-of-use assets	(9,166)	–	–	(9,166)
Amortisation of intangible assets	(25,872)	–	–	(25,872)
Provision of impairment of property, plant and equipment	(865)	–	–	(865)
Provision of impairment of intangible assets	(3,330)	–	–	(3,330)
Provision of impairment of other receivables	(1,926)	–	–	(1,926)
Income tax charge	(22,015)	–	–	(22,015)
Addition to capital expenditures	<u>30,829</u>	<u>–</u>	<u>–</u>	<u>30,829</u>
As at 31 December 2023				
Reportable segment assets	<u>2,275,938</u>	<u>183</u>	<u>17</u>	<u>2,276,138</u>
Reportable segment liabilities	<u>(480,150)</u>	<u>(2)</u>	<u>–</u>	<u>(480,152)</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 2022				
Revenue from external customers	<u>323,028</u>	<u>–</u>	<u>–</u>	<u>323,028</u>
Reportable segment profit/(loss) before income tax	<u>118,413</u>	<u>(509)</u>	<u>(168)</u>	<u>117,736</u>
Segment results included:				
Interest income	1,391	–	–	1,391
Interest expense	(44,091)	–	–	(44,091)
Depreciation of property, plant and equipment	(35,134)	(245)	–	(35,379)
Depreciation of right-of-use assets	(11,300)	–	–	(11,300)
Amortisation of intangible assets	(26,513)	–	–	(26,513)
Reversal of impairment of property, plant and equipment	2,686	–	–	2,686
Reversal of impairment of intangible assets	10,340	–	–	10,340
Income tax charge	(8,856)	–	–	(8,856)
Addition to capital expenditures	<u>7,595</u>	<u>–</u>	<u>–</u>	<u>7,595</u>
As at 31 December 2022				
Reportable segment assets	2,454,360	376	18	2,454,754
Reportable segment liabilities	<u>(690,616)</u>	<u>(2)</u>	<u>–</u>	<u>(690,618)</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit before income tax		
Reportable segment profit before income tax	113,979	117,736
Other income	152	552
Fair value loss of financial assets at fair value through profit or loss	(1,603)	(8,801)
Finance costs	(11,663)	(10,525)
Unallocated head office and corporate expenses	(10,100)	(7,143)
	<u>90,765</u>	<u>91,819</u>
Assets		
Reportable segment assets	2,276,138	2,454,754
Property, plant and equipment	50,973	53,470
Other receivables, deposits and prepayments	980	7,574
Financial assets at fair value through profit or loss	27,251	28,854
Cash and bank balances	11,078	15,457
	<u>2,366,420</u>	<u>2,560,109</u>
Liabilities		
Reportable segment liabilities	480,152	690,618
Convertible notes	119,452	107,789
Amount due to a shareholder	33,835	33,835
Other payables and accruals	1,125	1,249
	<u>634,564</u>	<u>833,491</u>

(c) Disaggregation of revenue from contracts with customers:

	Exploration, Production and Distribution of Natural Gas <i>HK\$'000</i>	2023 Total <i>HK\$'000</i>
Geographical markets		
The PRC	<u>332,034</u>	<u>332,034</u>
Major product/service		
Natural gas	<u>332,034</u>	<u>332,034</u>
Timing of revenue recognition		
At a point of time	<u>332,034</u>	<u>332,034</u>

	Exploration, Production and Distribution of Natural Gas <i>HK\$'000</i>	2022 Total <i>HK\$'000</i>
Geographical markets		
The PRC	<u>323,028</u>	<u>323,028</u>
Major product/service		
Natural gas	<u>323,028</u>	<u>323,028</u>
Timing of revenue recognition		
At a point of time	<u>323,028</u>	<u>323,028</u>

(d) Revenue from major customers:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Exploration, Production and Distribution of Natural Gas segment		
Customer A	<u>316,370</u>	308,268
Customer B	<u>15,664</u>	<u>14,760</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	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Hong Kong (place of domicile)	–	–	50,973	53,572
The PRC	332,034	323,028	2,169,279	2,291,187
	<u>332,034</u>	<u>323,028</u>	<u>2,220,252</u>	<u>2,344,759</u>

5. **OTHER INCOME**

	2023 HK\$'000	2022 HK\$'000
Interest income	1,019	1,785
Government subsidies*	–	112
Gain on modification of lease	1	1,292
Administration and management fee income	4,394	4,908
Others	–	55
	<u>5,414</u>	<u>8,152</u>

* Government subsidies represented the gross amount received from Employment Support Scheme provided by The Government of Hong Kong Special Administrative Region in 2022 only.

6. **FINANCE COSTS**

	2023 HK\$'000	2022 HK\$'000
Interest on other borrowings	36,959	42,779
Interest on convertible notes (Note 15)	11,663	10,524
Interest on lease liabilities	554	1,313
	<u>49,176</u>	<u>54,616</u>

7. PROFIT BEFORE INCOME TAX

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditors' remuneration	1,000	980
Staff costs (including directors' remuneration):		
Wages and salaries and other benefits	18,152	20,620
Pension fund contributions*	65	76
	18,217	20,696

* As at 31 December 2023 and 31 December 2022, the Group had no material forfeited contributions available to reduce its contribution to the pension schemes in future years.

8. INCOME TAX CHARGE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax – the PRC		
Charge for the year	–	–
Deferred tax charge	(21,885)	(8,856)
Total income tax charge	(21,885)	(8,856)

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% (2022: 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% (2022: 15%) for the year ended 31 December 2023.

9. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2023 (2022: Nil), nor has any dividend been proposed since the end of reporting period.

10. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit attributable to owners of the Company	69,529	83,265
	<i>Number of Shares</i>	<i>Number of Shares</i>
Weighted average number of ordinary shares in issue	9,505,344,000	9,505,344,000
	<i>HK Cents</i>	<i>HK Cents</i>
Basic earnings per share	0.73	0.88

(b) Diluted earnings per share

The calculation of the diluted earnings per share attributable to the owners of the Company for the years ended 31 December 2023 and 2022 are based on the following data:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit attributable to owners of the Company	69,529	83,265
Adjustments for interest on convertible notes	11,663	10,524
Profit attributable to owners of the Company for diluted earnings per share	81,192	93,789

	2023	2022
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares in issue	9,505,344,000	9,505,344,000
Effect of dilutive potential ordinary shares on convertible notes	4,045,654,761	4,045,654,761
Weighted average number of ordinary shares for diluted earnings per share	<u>13,550,998,761</u>	<u>13,550,998,761</u>
	<i>HK Cents</i>	<i>HK Cents</i>
Diluted earnings per share	<u>0.60</u>	<u>0.69</u>

11. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2023, the Group incurred property, plant and equipment cost of approximately HK\$30,829,000 (2022: approximately HK\$7,595,000), and no property, plant and equipment was reclassified from exploration and evaluation assets (2022: approximately HK\$50,798,000).

12. EXPLORATION AND EVALUATION ASSETS

During the year ended 31 December 2023, the Group did not incur any exploration and evaluation cost (2022: Nil), and no exploration and evaluation assets was reclassified to oil properties under property, plant and equipment (2022: approximately HK\$50,798,000).

13. INTANGIBLE ASSETS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Cost		
At 1 January	2,704,881	2,922,237
Exchange differences	<u>(96,603)</u>	<u>(217,356)</u>
At 31 December	<u>2,608,278</u>	<u>2,704,881</u>
Accumulated amortisation and impairment		
At 1 January	1,536,213	1,642,641
Amortisation	25,872	26,513
Provision/(reversal) of impairment	3,330	(10,340)
Exchange differences	<u>(55,133)</u>	<u>(122,601)</u>
At 31 December	<u>1,510,282</u>	<u>1,536,213</u>
Carrying amount		
At 31 December	<u><u>1,097,996</u></u>	<u><u>1,168,668</u></u>

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

14. ACCOUNT RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Account receivables		
– Sales of natural gas	49,650	187
Loan and interest receivables		
– Others	<u>37,100</u>	<u>37,100</u>
	86,750	37,287
Less: Expected credit losses	<u>(37,100)</u>	<u>(37,100)</u>
	<u><u>49,650</u></u>	<u><u>187</u></u>

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

15. CONVERTIBLE NOTES

Convertible notes represented the current year-end closing balance of the Tranche 1 zero coupon convertible notes with maturity in 30 years which was issued on 3 January 2011. The convertible notes do not bear any interest and are freely transferable, provided that where the convertible notes are intended to be transferred to a connected person (as defined in the Listing Rules) of the Group (other than the associates of the noteholder) such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange, if any.

The fair value of the liability component and the equity component were determined at the issuance of the convertible notes. The fair value of the liability component, included in the non-current liabilities, was calculated using a market interest rate of equivalent non-convertible notes. The effective interest rate of the liabilities is 11% and the interest expenses will be charged to the profit or loss over the loan periods. The equity component of the convertible notes, representing the difference of the fair value of the convertible notes and the fair value of the liabilities component, was included in the owner's equity and denoted as convertible notes reserves.

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

	Carrying amount	
	Liability component	Equity component
	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2022	97,265	695,828
Interest expenses (<i>Note 6</i>)	10,524	–
	<hr/>	<hr/>
As at 31 December 2022 and at 1 January 2023	107,789	695,828
Interest expenses (<i>Note 6</i>)	11,663	–
	<hr/>	<hr/>
As at 31 December 2023	119,452	695,828
	<hr/> <hr/>	<hr/> <hr/>

Up to 31 December 2023, 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 year ended 31 December 2023 and 2022.

The convertible notes with outstanding principal amount of HK\$679,670,000 as at 31 December 2023 and 2022 have maturity date falling 30 years from the date of issue on 3 January 2011.

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 2023:

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 2023, 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 (“**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\$158,851,000 as at 31 December 2023. 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\$332,034,000 (2022: HK\$323,028,000). The Group’s revenue was principally derived from the exploration, production and distribution of natural gas segment of approximately HK\$332,034,000 (2022: HK\$323,028,000). During the year, neither the money lending business segment nor the sales of food and beverages segment contributed any revenue to the Group (2022: both Nil).

The Group seized the opportunity of domestic macroeconomic recovery and demand recovery in the domestic gas market especially in the second half of 2023 as well as steady gas production in the period which override the negative factors including slow economic recovery, lower market demand and unsteady gas production for maintenance of gas processing facilities of Kashi project in the first half of 2023.

The Group’s revenue increased by approximately HK\$9,006,000 or 2.8% year-on-year to approximately HK\$332,034,000 for the year ended 31 December 2023 which was due to above favourable external factors especially in the second half of 2023, higher market demand for cooler winter season in the second half of 2023 as compared with the same period of 2022 and improved gas production situation of Kashi project.

Earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) increased from approximately HK\$216,958,000 for the year ended 31 December 2022 to approximately HK\$219,443,000 for the year ended 31 December 2023 by approximately HK\$2,485,000 or 1.1% which was in line with the increase in revenue by approximately HK\$9,006,000 or 2.8% year-on-year.

Reversal of impairment of property, plant and equipment of approximately HK\$2,686,000 for the year ended 31 December 2022 turned around to provision of impairment of property, plant and equipment of approximately HK\$1,803,000 for the year ended 31 December 2023 whereas reversal of impairment of intangible assets of approximately HK\$10,340,000 for the year ended 31 December 2022 turned around to provision of impairment of intangible assets of approximately HK\$3,330,000 for the year ended 31 December 2023. This was the result of narrow down the difference between the recoverable amount of the cash generating unit (“**CGU**”) of the Kashi Project as at 31 December 2023 and the carrying amount of the CGU of the Kashi Project as at 31 December 2023. In addition, the fair value of the properties in Hong Kong fell below the carrying value as at 31 December 2023.

For calculation of the recoverable amount of the CGU of the Kashi Project, the key quantitative inputs included the current year and budgeted years’ net profit and cash flows to the Kashi Project and the pre-tax discount rate of 16.8% for the year ended 31 December 2023 (2022: 16.8%). The carrying amount of the CGU of the Kashi Project as at 31 December 2023 of approximately HK\$2,152,847,000 which exceeded the recoverable amount of the CGU of the Kashi Project as at 31 December 2023 of approximately HK\$2,148,652,000 to bring out the provision of impairment of intangible assets of approximately HK\$3,330,000 and the provision of impairment of property, plant and equipment of approximately HK\$865,000 respectively.

The impairment assessment as at 31 December 2023 was made by APAC Asset Valuation and Consulting Limited, an independent third party valuer (the “**valuer**”). The methodology, the key general and specific assumptions on which the valuer had based its determination of the CGU’s recoverable amount as at 31 December 2023 were the same as those adopted for the assessment as at 31 December 2022.

The valuer has also made assessment of the fair value of the properties in Hong Kong as at 31 December 2023. Impairment of property, plant and equipment of approximately HK\$938,000 was made for the variance arisen between the fair value and the carrying value.

Profit attributable to owners of the Company decreased by approximately HK\$13,736,000 or 16.5% to approximately HK\$69,529,000 for the year ended 31 December 2023. This was mainly due to decrease in reversal of impairment of property, plant and equipment of approximately HK\$4,489,000, decrease in reversal of impairment of intangible assets of approximately HK\$13,670,000, increase in provision of other receivables, net of approximately HK\$1,555,000 and increase in income tax charge of approximately HK\$13,029,000, offset by decrease in staff costs by approximately HK\$2,479,000, decrease in fair value loss of financial assets at fair value through profit or loss of approximately HK\$7,198,000, decrease in depreciation of right-of-use assets of approximately HK\$2,134,000 and decrease in finance costs of approximately HK\$5,440,000.

Decrease in EBITDA margin by 1.1% year-on-year to 66.1% for the year ended 31 December 2023 with decrease in net profit margin by 4.9% year-on-year to 20.7% for the year ended 31 December 2023 was mainly due to the above reasons mentioned in decrease in profit for the year ended 31 December 2023.

Exchange differences on translation of foreign operations

As a result of improved depreciation of Renminbi (“RMB”) against the Hong Kong Dollars (“HKD”) during the year ended 31 December 2023, the exchange differences on translation of foreign operations attributable to owners of the Company decreased from exchange loss of approximately HK\$134,252,000 for the year ended 31 December 2022 to exchange loss of approximately HK\$63,177,000 for the year ended 31 December 2023. Meanwhile, the exchange differences on translation of foreign operations attributable to non-controlling interests also decreased from exchange loss of approximately HK\$1,077,000 for the year ended 31 December 2022 to exchange loss of approximately HK\$465,000 for the year ended 31 December 2023.

Such exchange difference just represented the translation difference of currency between RMB and the HKD in the presentation of consolidated financial statements and did not have any significant impact on the operations of the Group.

Exploration and evaluation assets

The exploration and evaluation assets represented costs directly associated with exploratory wells (drilling cost and others) that are capitalised and pending a determination of whether sufficient quantities of potentially economic gas reserves have been discovered.

During the year ended 31 December 2023, the Directors considered that the exploration and evaluation assets capitalised in the previous years and utilised for generating revenue in the development stage should be reclassified as oil properties under Property, Plant and Equipment.

As mentioned in note 12 to the financial statements on page 15 of this announcement, during the year ended 31 December 2023, the Group did not incur any exploration and evaluation cost (2022: Nil), and no exploration and evaluation assets (2022: approximately HK\$50,798,000) which was reclassified to oil properties under property, plant and equipment. This was the reason why the exploration and evaluation assets decreased by approximately HK\$9,000 year-on-year to approximately HK\$256,000 as at 31 December 2023.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represented the fair value of listed equity securities based on quoted market price (level 1 fair value measurement) as at 31 December 2023. Decline of financial assets at fair value through profit or loss by approximately HK\$1,603,000 or 5.6% year-on-year to approximately HK\$27,251,000 as at 31 December 2023 was mainly due to poor stock market sentiment under the slow economic recovery after the COVID-19 pandemic during the year ended 31 December 2023.

Other payables and accruals

Other payables and accruals represented balances payable to contractors engaged by the Group to perform exploration, evaluation and development works on the area designated in the Petroleum Contract, and the receipt in advance from China National Petroleum Corporation (“CNPC”) as at 31 December 2023. Decrease in other payables and accruals by approximately HK\$71,199,000 or 36.3% year-on-year to approximately HK\$125,041,000 as at 31 December 2023 was mainly due to settlement of payable to contractors of approximately HK\$65,710,000 during the year ended 31 December 2023.

Other borrowings

The other borrowings represented pledged borrowings which were denominated in RMB repayable partly in 2 years and fully in 3 years from the drawdown date. Other borrowings amounted to approximately RMB133,000,000 (equivalent to approximately HK\$143,640,000) are repayable before 31 December 2024 whereas other borrowings amounted to approximately RMB194,000,000 (equivalent to approximately HK\$209,520,000) will be repayable within coming 2 years.

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. During the year ended 31 December 2023, the gas processing facilities were on the right track and no further documents were entered.

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 included the quantity of volume commitments, gas quality, price terms, delivery obligations and delivery point, etc. During the year ended 31 December 2023, the terms of the GSA remained the same.

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\$332,034,000 (2022: approximately HK\$323,028,000) and the segment profit before income tax was approximately HK\$114,598,000 (2022: approximately HK\$118,413,000).

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:

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

	2023	2022
	HK\$'000	HK\$'000
Revenue	332,034	323,028
Direct cost	(48,367)	(49,133)
Other income	5,262	7,600
(Provision)/reversal of impairment of property, plant and equipment	(865)	2,686
(Provision)/reversal of impairment of intangible assets	(3,330)	10,340
Provision of impairment of other receivables	(1,926)	–
Selling and distribution expenses	(29,052)	(29,823)
Operating expenses	(32,094)	(29,247)
Depreciation	(43,679)	(46,434)
Amortisation of intangible assets	(25,872)	(26,513)
Finance cost	(37,513)	(44,091)
	<hr/>	<hr/>
Results of operations before income tax	114,598	118,413
	<hr/> <hr/>	<hr/> <hr/>

Sales of Food and Beverages Business

The Group did not record any revenue from the sales of food and beverages business segment in 2023 and 2022. The segment loss before tax was approximately HK\$410,000 (2022: approximately HK\$509,000). 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 2023 and 2022 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\$209,000 (2022: approximately HK\$168,000). The Group continued to adopt a stringent credit policy to mitigate the credit risk arising from the money lending business.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 31 December 2023, the Group has outstanding secured other borrowings of approximately HK\$353,160,000 (2022: approximately HK\$486,080,000). The cash and cash equivalents of the Group were approximately HK\$45,203,000 (2022: approximately HK\$131,296,000). The Group's current ratio (current assets to current liabilities) was approximately 47.9% (2022: 35.4%). The ratio of total liabilities to total assets of the Group was approximately 26.8% (2022: 32.6%).

As at 31 December 2023, 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 ended 31 December 2023, no convertible note was converted to ordinary shares of the Company.

Charge of Assets

Account receivables in the amount of HK\$48,320,605 were pledged as security for other borrowings as at 31 December 2023 (2022: Nil). 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 2023 (2022: same pledge as at 31 December 2023).

Exchange Exposure

The Group mainly operates in Hong Kong and the 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\$1,945,000 (of which approximately HK\$992,000 would be borne by CNPC) (2022: approximately HK\$35,477,000 of which approximately HK\$4,302,000 would be borne by CNPC) and approximately HK\$113,346,000 (2022: approximately HK\$117,600,000) as at 31 December 2023 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 2023 and 2022.

Employee and Remuneration Policies

As at 31 December 2023, the Group employed 43 full-time and part-time staff members (2022: 41). Staff costs during the year ended 31 December 2023, including directors' emoluments, totalled approximately HK\$18,217,000 (2022: approximately HK\$20,696,000). In order to enhance the morale and productivity of employees, employees are remunerated based on their performance, experience and prevailing industry practices. Compensation policies and packages of management staff and functional heads are being reviewed on a yearly basis. In addition to basic salary, performance related salary may also be awarded to employees based on internal performance evaluation. The Group also invests in continuing education and training programmes for management staff and other employees with a view to upgrade their skills and knowledge. These training courses comprise internal courses run by the management of the Group and external courses provided by professional trainers and range from technical and safety training for the natural gas field workers to financial and administrative trainings for management staff.

Going Concern Basis

As at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately HK\$158,851,000. 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 2023 are mainly attributable to property, plant and equipment/exploration and evaluation cost payables amounting to approximately HK\$77,256,000 (31 December 2022: approximately HK\$142,966,000) and other borrowings in the amount of approximately HK\$143,640,000 (31 December 2022: approximately HK\$305,760,000). 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 and negotiate with the creditor in the PRC to extend the borrowing period. However, there is no certainty that the contractors and the creditor 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) U.K. Prolific Petroleum, a single largest substantial shareholder expressed willingness to provide financial support in case the Company is unable to meet all the obligations; (ii) the Group being able to successfully persuade these contractors not to insist on demanding repayment of the construction cost payables and negotiate with the creditor in the PRC to extend the borrowing period; 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 2023. 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 operation since 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 now on operation since 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.

Change of Directors' and Senior Management's Information

Reference is made to the announcement of the Company dated 24 April 2023, Mr. Gu Quan Rong ("Mr. Gu") has informed the Company that he would not stand for re-election at the forthcoming annual general meeting of the Company scheduled to be held on 9 June 2023 (the "2023 AGM") and would retire as a Non-Executive Director with effect from the conclusion of the 2023 AGM, due to his intention to devote more time to his other personal commitments and pursuits.

Reference is made to the announcement of the Company dated 9 June 2023, Mr. Zhao Guoqiang has not been serving as an alternate director to Mr. Gu since Mr. Gu has retired as a non-executive Director with effect from the conclusion of the AGM on 9 June 2023.

Save as disclosed above, the Directors confirmed that no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2023 (the “**Reporting Period**”).

INFORMATION ON THE NON-OPERATING USE OF FUNDS OF THE COMPANY BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES

During the Reporting Period, there was no non-operating use of funds of the Company by the controlling shareholder of the Company and other related parties.

INFORMATION ON ILLEGAL EXTERNAL GUARANTEES

During the Reporting Period, the Company had no illegal external guarantee.

MATTERS RELATING TO INSOLVENCY AND RESTRUCTURING

There was no matter relating to insolvency and restructuring during the Reporting Period.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

Trust, contractual and lease arrangement

During the Reporting Period, the Company did not enter any trust arrangement, contractual arrangement and/or lease arrangement that will generate any profit or loss.

Material guarantee

During the Reporting Period, there was no material guarantee provided by the Company.

Other significant contracts

During the Reporting Period, the Company had no other significant contracts.

OTHER SIGNIFICANT INVESTMENTS HELD

During the Reporting Period, the Group did not hold any other significant investments save for financial assets at fair value through profit or loss on Consolidated Statement of Financial Position as at 31 December 2023 on page 4 of this announcement.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Company did not have any material acquisition or disposal of subsidiaries, associates or joint ventures.

SUFFICIENCY OF PUBLIC FLOAT

According to the information disclosed publicly and as far as the Director are aware, during the Reporting Period, the Company maintained the amount of public float as required under the Listing Rules.

SUBSEQUENT EVENT

There were no important events affecting the Group, which occurred after the end of the Reporting Period and up to the date of this announcement.

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**”) and the applicable Main Board Listing Rules. During the Reporting Period, the Group has complied with the CG Code with the applicable Main Board Listing Rules 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 Reporting Period, 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 Reporting Period, 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. According to article 61(1)(c) of the articles of association of the Company, any Director appointed to fill a casual vacancy or as an additional Director shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at the meeting. For the Reporting Period, all remaining 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) CG Code Provision C.1.4 requires that all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. All the Directors have participated in continuous professional development during the year 2023. Our company secretary has also circulated relevant training materials to the Directors from time to time in the Reporting Period.
- (e) 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 Reporting Period, 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.
- (f) 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 Reporting Period. 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.

- (g) With respect to Code Provision D.1.2 of the CG Code, management should provide all members of the board with monthly updates giving a balanced and understandable assessment to the issuer's performance, position and prospectus in sufficient detail to enable the board as a whole and each director to discharge the duties under Rule 3.08 and Chapter 13 of the Main Board Listing Rule. The information provided may include background or explanatory information relating to matters to be brought before the board, copies of disclosure documents, budgets, forecasts and monthly and other relevant internal financial statements such as monthly management accounts and management updates. For budgets, any material variance between the projections and actual results should also be disclosed and explained. Due to the nature, size and scale of operations and as a matter of cost-control measures, the Group did not have monthly updates to the board during the Reporting Period. However, the management will carry out the periodic at least quarterly and report immediately for any urgent issues updates to the board.
- (h) With respect to revised Main Board Listing Rule 13.92, the nomination committee (or the board) shall have a policy concerning diversity of board members, and shall disclose the policy on diversity or a summary of the policy in the corporate governance report. Board diversity differs according to the circumstances of each issuer. While diversity of board members can be achieved through consideration of a number of factors (including but not limited to gender, age, cultural and educational background, or professional experience), the Exchange will not consider diversity to be achieved for a single gender board. As a transitional arrangement, issuers with a single gender board will have to appoint at least a director of a different gender on the board no later than 31 December 2024. During the Reporting Period, all the existing male Directors note the new requirement of the Main Board Listing Rule to include a Director of different gender to the Board by no later than 31 December 2024. The Company will find a suitable female candidate and nominate her to the nomination committee and the Board for consideration of the appointment of a female Director by no later than 31 December 2024. The Company will make an announcement as and when there is any progress.

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 (2022: 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*)

Mr. Cheng Chun Ying

Mr. Zhang Zhenming

As at the date of this announcement, the audit committee comprises three independent non-executive directors of the Company. Two out of three 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 2023 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.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITOR

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 2023 as set out in this preliminary announcement 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 ended 31 December 2023. 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 preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT WITH ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) 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 2023 annual report of the Company for the year ended 31 December 2023 will be dispatched to shareholders and the 2023 annual report together with the ESG Report made available on the above websites on or before 30 April 2024. 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 and the independent third party professionals for their outstanding services and to our shareholders, customers, contractors, bankers, creditors and investors for your continued support.

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

Hong Kong, 15 March 2024

As at the date of this announcement, the Board comprises Mr. Zhao Guoqiang (Chief Executive Officer) as an executive Director; and Mr. Zhang Zhenming, Mr. Cheng Chun Ying and Mr. Lee Man Tai as independent non-executive Directors.