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

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the "**Board**") of China Energy Development Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2014 together with comparative figures for 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Turnover	*3*	**37,261**	36,687
Other income	*4*	**6,801**	68
Cost of inventories consumed		**(34,321)**	(32,710)
Staff costs		**(11,027)**	(12,550)
Operating lease rentals		**(5,642)**	(6,622)
Depreciation of property, plant and equipment		**(662)**	(697)
Fuel costs and utility expenses		**(483)**	(504)
Fair value (loss)/gain of financial assets held for trading		**(1,286)**	121
Loss on disposal of property, plant and equipment		**(45)**	–
Other operating expenses		**(17,608)**	(20,390)
Finance costs		**(13,228)**	(11,936)
Loss before income tax	*5*	**(40,240)**	(48,533)
Income tax credits	*6*	**3,586**	4,314
Loss for the year		**(36,654)**	(44,219)

* *For identification purposes only*

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(86,177)**	115,416
Total comprehensive income for the year		**(122,831)**	71,197
Loss attributable to:			
Owners of the Company		**(36,654)**	(44,219)
Non-controlling interests		**–**	–
		(36,654)	(44,219)
Total comprehensive income attributable to:			
Owners of the Company		**(122,831)**	71,197
Non-controlling interests		**–**	–
		(122,831)	71,197
Loss per share	*8*		
— Basic (HK cents)		**(0.42)**	(0.56)
— Diluted (HK cents)		**(0.42)**	(0.56)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**3,033**	3,843
Exploration and evaluation assets		**724,908**	727,183
Intangible assets		**2,994,689**	3,067,142
Deferred tax assets		**91,836**	90,410
		3,814,466	3,888,578
Current assets			
Inventories		**–**	9,059
Trade receivables	*9*	**–**	10
Financial assets held for trading		**1,171**	2,493
Other receivables, deposits and prepayments		**6,269**	7,173
Amounts due from related companies		**7,196**	8,507
Cash and bank balances		**370,735**	317,452
		385,371	344,694
Total assets		**4,199,837**	4,233,272
Current liabilities			
Trade payables	*10*	**2,889**	6,736
Other payables and accruals		**475,890**	437,860
Amount due to a related company		**–**	5,073
Amount due to a shareholder		**40,402**	–
		519,181	449,669
Net current liabilities		**(133,810)**	(104,975)
Total assets less current liabilities		**3,680,656**	3,783,603

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Non-current liabilities			
Convertible notes	*11*	**135,484**	122,256
Other payables		**–**	112,862
Amount due to a shareholder		**–**	40,402
Deferred tax liabilities		**53**	53
Provision for long service payments		**–**	86
		135,537	275,659
Net assets		**3,545,119**	3,507,944
Equity			
Share capital		**475,267**	396,056
Reserves		**3,069,099**	3,111,135
Attributable to owners of the Company		**3,544,366**	3,507,191
Non-controlling interests		**753**	753
Total equity		**3,545,119**	3,507,944

Notes:

1. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

(b) Basis of measurement and going concern assumption

The financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

During the year, the Group has incurred a loss of HK$36,654,000 and at the end of reporting period, its current liabilities exceeded its current assets by HK$133,810,000. 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 directors anticipate the negotiation of the Gas Sales Agreement ("**GSA**") with China National Petroleum Corporation ("**CNPC**") will complete in the year 2015 or early 2016. The GSA with CNPC covers a number of provisions, such as terms of the GSA, quantity of volume commitments, gas quality, price terms, delivery obligations and delivery point etc. The major point is that the Group has yet to agree with CNPC on pricing terms. The natural gas pricing reform closed the price gap between imported and local gas prices. The reformed pricing mechanism on natural gas is a major reference point for the Group to negotiate the pricing terms with CNPC. Based on the current information available to the directors, the directors expected that the GSA could be finalised in the year 2015 or early 2016. The Group will then accelerate the exploration, development and pilot-production of oil/gas in the field so that the overall financial performance of the Group will be significantly improved, as well as its operating cash position. In order to ease short term liquidity pressure, the Company has succeeded in placing new shares in 2014 with total proceed of HK$160,006,000. A preliminary natural gas sharing proposal is discussed and agreed by the joint management committee which comprises representatives from CNPC and the Group at 18 February 2014 ("**the Proposal**"). Based on the Proposal, the Group will receive the proposed distribution of natural gas from pilot-production which was delivered and sold before 1 January 2014. The 2nd natural gas sharing proposal is discussed and agreed by the joint management committee at 3 March 2015 (the "**2nd Proposal**") which cover the natural gas from pilot-production which was delivered and sold during the year ended 31 December 2014. The directors expected proposed distribution from the above proposals will be received during year 2015 and 2016. However, the unit price in the proposals is only a preliminary unit price used for this preliminary sharing, the final unit price is still subject to change and would only be confirmed after the formal GSA signed.

The directors have carried out a detailed review of the cash flow forecast of the Group for the eighteen months ending 30 June 2016 taking into account the measures as referred to above, and consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the period of the forecast. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to write down the values of the assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

(c) Functional and presentation currency

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs — effective 1 January 2014

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

The adoption of these amendments has no material impact on the Group's financial statements.

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

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 9 (2014)	Financial Instruments[3]
HKFRS 15	Revenue from Contracts with Customers[2]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group's financial statements.

3. TURNOVER 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 two reportable segments:

The Exploration and Production 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 to restaurants.

The segment information provided to the Board for the reportable segments for the years ended 31 December 2014 and 2013 are as follows:

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

	Exploration and Production *HK$'000*	**Sales of Food and Beverages Business** *HK$'000*	**Total** *HK$'000*
For the year ended 31 December 2014			
Revenue from external customers	**–**	**37,261**	**37,261**
Reportable segment (loss)/profit before income tax	**(12,604)**	**547**	**(12,057)**
Segment results included:			
Interest income	**28**	**–**	**28**
Depreciation	**618**	**44**	**662**
Additions to non-current assets	**15,023**	**–**	**15,023**
Reportable segment assets	**3,927,494**	**9,217**	**3,936,711**
Reportable segment liabilities	**(465,874)**	**(7,125)**	**(472,999)**

	Exploration and Production *HK$'000*	Sales of Food and Beverages Business *HK$'000*	Total *HK$'000*
For the year ended 31 December 2013			
Revenue from external customers	–	36,687	36,687
Reportable segment loss before income tax	(19,696)	(306)	(20,002)
Segment results included:			
Interest income	59	–	59
Depreciation	635	62	697
Additions to non-current assets	98,584	60	98,644
Reportable segment assets	4,102,483	18,289	4,120,772
Reportable segment liabilities	(540,504)	(16,748)	(557,252)

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

	2014	2013
	HK$'000	*HK$'000*
Loss before income tax		
Reportable segment loss before income tax	**(12,057)**	(20,002)
Other income	**1**	9
Fair value (loss)/profit of financial assets held for trading	**(1,286)**	121
Finance costs	**(13,228)**	(11,936)
Unallocated head office and corporate expenses	**(13,670)**	(16,725)
Loss before income tax	**(40,240)**	(48,533)
Assets		
Reportable segment assets	**3,936,711**	4,120,772
Deferred tax assets	**91,836**	90,410
Other receivables	**48**	591
Financial assets held for trading	**1,171**	2,493
Unallocated head office and corporate assets	**170,071**	19,006
Total assets	**4,199,837**	4,233,272
Liabilities		
Reportable segment liabilities	**472,999**	557,252
Deferred tax liabilities	**53**	53
Convertible notes	**135,484**	122,256
Amount due to a shareholder	**40,402**	40,402
Unallocated head office and corporate liabilities	**5,780**	5,365
Total liabilities	**654,718**	725,328

(c) 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**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**37,261**	36,687	**122**	264
People's Republic of China ("**PRC**")	**–**	–	**3,722,508**	3,797,904
	37,261	36,687	**3,722,630**	3,798,168

4. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**28**	60
Sundry income	**–**	8
Reversal of long service payment	**86**	–
Government subsidy for disposal of motor vehicle	**101**	–
Written off of other payables and accruals	**271**	–
Exchange gain	**6,315**	–
	6,801	68

5. LOSS BEFORE INCOME TAX

	2014	2013
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging:		
Auditor's remuneration	**921**	900
Cost of inventories consumed	**34,321**	32,710
Compensation of a legal claim	**4,250**	–
Depreciation of property, plant and equipment	**662**	697
Loss on disposal of property, plant and equipment	**45**	–
Exchange loss, net	**–**	9,544
Staff costs (including directors' remuneration)		
— Wages and salaries and other benefits	**10,900**	12,427
— Pension fund contributions	**127**	123
	11,027	12,550
Operating lease rentals		
— Related companies	**555**	575
— Third parties	**5,087**	6,047
	5,642	6,622

6. INCOME TAX CREDITS

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

	2014	2013
	HK$'000	*HK$'000*
Current tax — PRC	**(4)**	(11)
Current tax — Hong Kong profits tax		
— under provision in respect of prior years	**–**	(2)
Deferred tax — current year	**3,590**	4,327
Total income tax credits	**3,586**	4,314

Hong Kong profits tax is calculated at 16.5% (2013:16.5%) on the estimated assessable profits for the year. PRC enterprise income tax is calculated at 25% on the estimated assessable profit for the year.

The income tax credits for the year can be reconciled to the loss before income tax per the consolidated statement of comprehensive income as follows:

	2014	2013
	HK$'000	*HK$'000*
Loss before income tax	**(40,240)**	(48,533)
Effect of tax at Hong Kong profits tax rate of 16.5% (2013: 16.5%)	**(6,639)**	(8,008)
Effect of different tax rate of subsidiaries operating in other jurisdiction	**(1,283)**	(1,065)
Tax effect of income not taxable for tax purposes	**(91)**	(42)
Tax effect of expenses not deductible for tax purposes	**3,674**	3,624
Tax effect of utilisation of tax losses	**(29)**	–
Tax effect of unused tax losses not recognised	**782**	1,175
Under provision in respect of prior years	**–**	2
Income tax credits for the year	**(3,586)**	(4,314)

7. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2014 (2013: Nil), nor has any dividend been proposed since the end of reporting period (2013: Nil).

8. LOSS PER SHARE

(a) Basic

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

	2014	2013
	HK$'000	*HK$'000*
Loss attributable to owners of the Company	**(36,654)**	(44,219)
	Number of shares	*Number of shares*
Weighted average number of ordinary shares in issue	**8,645,956,734**	7,921,120,000
	HK Cents	*HK Cents*
Basic loss per share	**(0.42)**	(0.56)

(b) Diluted

Diluted loss per share is the same as basic loss per share for the year ended 31 December 2014 and 2013 as the potential ordinary shares on convertible notes are anti-dilutive.

9. TRADE RECEIVABLES

Customers are usually offered a credit period ranging from one to three months. An ageing analysis of trade receivables as at 31 December 2014 and 2013 is as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Current to 3 months	**–**	10

All trade receivables are neither individually nor collectively considered to be impaired as there was no recent history of default and relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

10. TRADE PAYABLES

An ageing analysis of trade payables of the Group as at 31 December 2014 and 2013 is as follows:

	The Group	
	2014	2013
	HK$'000	*HK$'000*
Current to 3 months	**–**	3,790
Over 1 year	**2,889**	2,946
Total trade payables	**2,889**	6,736

11. CONVERTIBLE NOTES

On 22 January 2009, the Company, Totalbuild Investments Holdings Group Limited (the "**Vendor**"), Mr. Wang Guoju, as guarantor for the Vendor, China Era Energy Power Investment (Hong Kong) Limited ("**China Era**"), as a guarantor for the Vendor, entered into the agreement (the "**Agreement**") in relation to proposed acquisition of 100% equity interest in the Totalbuild Investments Group (Hong Kong) Limited ("**Totalbuild Investments**"). Totalbuild Investments holds the entire issued share capital of China Era which has entered into the petroleum contract with CNPC.

On 3 January 2011, all the conditions of the acquisition of the first designated area of the Akemomu Gas Field (the "**First Designated Area**") and the entire issued share capital (the "**Acquisition**") of Totalbuild Investments and its subsidiaries (the "**Totalbuild Investments Group**") have been fulfilled.

As a result of completion of the Acquisition sale share and the First Designated Area, the Tranche 1 consideration in the sum of HK$2,558,000,000 was paid by the Company with Tranche 1 convertible notes of HK$2,558,000,000 at the conversion price of HK$0.168 each, to the Vendor including the shortfall amount of HK$1,279,000,000 which was deposited with an escrow agent pursuant to the Agreement. The sale loan consideration payable by the Company in the sum of HK$906,299,000 was satisfied by deducting the deposit in the sum of HK$804,000,000 and with the balance of HK$102,299,000 to be settled in cash or otherwise agreed.

According to the Agreement, the shortfall amount of HK$1,279,000,000 convertible notes should only be released to the Vendor upon the Company having received a written certificate issued by the competent evaluator confirming that the First Designated Area be evaluated on the basis of unrisked economic evaluation within the six years period from 1 June 2009 (the "**Relevant Period**"). As at 31 December 2014, the written certificate has not yet been issued and the convertible notes have not yet been release to the Vendor.

In addition, according to the Agreement, the Group is not entitled to the benefits and interests of the second designated area in the Akemomu Gas Field. A separate shareholders' approval will be required for the Acquisition of the second designated area by issuing additional convertible bonds of not more than HK$7,442,000,000 subjected to the fulfillment of certain conditions as stipulated in the Agreement within the Relevant Period.

The Tranche 1 zero coupon convertible notes with principal amount of HK$2,558,000,000 with maturity in 30 years 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 SEHK, if any.

The noteholders may at any time during the 30 years from the issue date convert the whole or part of the principal amount of the convertible notes into new ordinary shares of the Company at the conversion price of HK$0.168 per share, provided that (i) no conversion rights attached to the convertible notes may be exercised, to the extent that following such exercise, a holder of the convertible notes and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued shares of the Company (or in such percentage of the issued share capital of the Company as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer); and (ii) no holder of the convertible notes shall exercise the conversion right attached to the convertible notes held by such holders if immediately after such conversion, the public float of the shares fall below the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules as required by the SEHK. The conversion price of HK$0.168 per share is subject to adjustment for consolidation, sub-division or re-classification of shares, capital reduction, rights issues and other events which have diluting effects on the issued share capital of the Company.

The fair values 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 component is 11% and the interest expenses will be charged to income statement 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**
	HK$'000	*HK$'000*
At 1 January 2013	110,320	2,005,233
Interest expenses	11,936	–
At 31 December 2013 and 1 January 2014	122,256	2,005,233
Interest expenses	13,228	–
At 31 December 2014	135,484	2,005,233

No convertible notes have been converted during the years ended 31 December 2014 and 2013.

The convertible notes with outstanding principal amount of HK$1,958,670,000 as at 31 December 2014 and 2013 have maturity date falling 30 years from the date of issue on 3 January 2011.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 3(b) to the consolidated financial statements which indicates that the Group incurred a loss of HK$36,654,000 for year ended 31 December 2014 and its current liabilities exceeded current assets by HK$133,810,000 as at that date. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The aforesaid "note 3(b) to the consolidated financial statements" in the extract of the independent auditor's report is disclosed in note 1(b) to this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

During the year, the Group recorded a turnover in the amount of approximately HK$37,261,000 (2013: HK$36,687,000), representing an increase of 1.6% as compared to the last year. The Group's turnover was solely derived from the sales of food and beverages business segment, and the Group's exploration and production segment did not generate any revenue during the year.

During the year, the Group recorded a loss attributable to the owners of the Company in the amount of approximately HK$36,654,000, as compared to a loss of approximately HK$44,219,000 during the last year. Loss per share attributable to the owners of the Company was 0.42 HK cents (2013: 0.56 HK cents).

Business Review

Exploration and Production Segment

The Group has successfully completed the acquisition (the "**Acquisition**") of Totalbuild Investments Group (Hong Kong) Limited and its subsidiaries ("**Totalbuild Investments Group**") in 2011 which has entered into petroleum contract with China National Petroleum Corporation ("**CNPC**") for the drilling, exploration, exploitation and production of oil and/or natural gas within the specified site located in North Kashi Block, Tarim Basin, Xinjiang, PRC (the "**Petroleum Contract**"). The term of the Petroleum Contract is for a term of 30 years commencing 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.

The development period of any oil/gas field will start from the date of the completion of the Overall Development Program ("**ODP**"). ODP is a document that is required to be approved by the relevant government authorities before the development can commence. ODP comprises a formal development engineering plan, backed up by survey results and relevant studies, together with a full economic analysis and time schedule of the development operations. However, there was delay in finalising the ODP documentation and the preparation of formal reserve report. The production period should start immediately after obtaining relevant government approval on ODP.

During the year, the Group has been carrying out pilot productions with CNPC at the site. 202,670,000 (2013: 314,830,000) cubic meters of gas was being extracted. The information obtained from research and pilot production will form part of the information to be applied in the ODP. The gas so produced during the pilot-productions has been sold to the local customers by CNPC near the site area.

As at 31 December 2014, the acquired oil/gas field has approximately estimated contingent resources of 47.4 (2013: 47.4) thousand barrels of oil and 11,703 (2013: 11,802) million cubic metres of natural gas (based on Group's 49% net entitlement interests in Petroleum contract). These contingent resources are quantities of oil and gas estimated, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. The risks associated with these contingent resources included, (i) no definitive Gas Sales Agreement nor accurate information on likely future sales prices; (ii) the future ODP is still to be developed and approved; and (iii) the field is situated in a remote location.

During the year, the exploration and production segment did not recognise any revenue and the Group is still negotiating with CNPC regarding the price term. The segment loss before income tax was approximately HK$12,604,000 (2013: HK$19,696,000). No development and production activity was carried out under the Petroleum Contract, the pilot-production is not regarded as production activities as the Petroleum Contract is still in its exploration stage and ODP is yet to approve. The results of operations in exploration and production segment and costs incurred for exploration and evaluation assets acquisition and exploration activities are shown as below:

(a) Results of operations in exploration and production segment

	2014	2013
	HK$'000	*HK$'000*
Net sales to customers	**–**	–
Other income	**6,355**	59
Operating expenses	**(18,341)**	(19,120)
Depreciation	**(618)**	(635)
Results of operations before income tax	**(12,604)**	(19,696)

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

	2014	2013
	HK$'000	*HK$'000*
Exploration cost incurred during the year	**15,023**	98,584

Information on oil/gas field and gross contingent resources

Under the Petroleum Contract, the exploration period covers 6 years commencing from 1 June 2009. As at 31 December 2014, the Group has 5 exploration wells. During the year, the major exploration activities included analysis of seismic data in previous years and certain pilot-productions were being carried out. During the year, the related exploration costs of approximately HK$15,023,000 were recognised in the cost of exploration and evaluation assets and 202,670,000 cubic meters natural gas was extracted through the pilot-production. No development and production activity was carried out under the Petroleum Contract, the pilot-production is not regarded as production activities as the Petroleum Contract is still in its exploration stage and ODP is yet to approve.

The reserve evaluation was conducted in accordance with Petroleum Resources Management system, an internationally recognised reserve standards and guideline, the details of information were set out in the Appendix V of Competent Person's Report to the Company's circular dated 3 December 2010. There are no any material change of assumption as compared with previous disclosed in the Competent Person's Report.

The following table summarised the estimates of Group's 49% net entitlement interests of the gross contingent resources in the Petroleum Contract:

	Oil *(Mbbl)*	**Natural gas** *(MMm^3)*
At 31 December 2013 and 1 January 2014	47.4	11,802
Pilot-production activity during the year	–	(99)
At 31 December 2014	47.4	11,703

Sales of Food and Beverages Business Segment

For the year ended 31 December 2014, the Group recorded a turnover from the sales of food and beverages business in the amount of approximately HK$37,261,000 (2013: HK$36,687,000), representing an increase of 1.6% as compared to the last year. The segmental gain before income tax was approximately HK$547,000, as compared to the segmental loss before income tax in the amount of approximately HK$306,000 in 2013. The sales of food and beverages business was adversely affected by the persistent increase in raw materials and labour costs. Therefore, the management has taken a cautious approach to manage the operations of this segment. For the year ended 31 December 2014, the Group imposed tight costs control to the operations, with a view to minimising costs to cope with the changing business environment. The Group has also tried to change the customer and product mix with a view to increasing diversity of this business segment. The Group will continue to keep track of the economic environment and review the future allocation of resources as and when required.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 31 December 2014, the Group had no outstanding interest bearing borrowings (2013: Nil). The cash and cash equivalents of the Group were approximately HK$370,735,000 (2013: HK$317,452,000). The Group's current ratio (current assets to current liabilities) was approximately 0.7 (2013: 0.8). The ratio of total liabilities to total assets of the Group was approximately 15.6% (2013: 17.1%).

As at 31 December 2014, the Company has outstanding convertible notes in the principal amount of HK$1,958,670,000. Such notes are to due in 2041, do not carry any interest but carry a right to convert into ordinary shares of the Company at the conversion price of HK$0.168 per share (subject to adjustment mechanisms set out in the terms of the convertible bonds). A maximum number of 11,658,750,000 shares are fall to be allotted and issued by the Company, assuming the exercise of the conversion rights attached to the outstanding convertible notes in full. During the year, no convertible note was converted to ordinary shares of the Company.

Charges of Assets

None of the assets of the Group were pledged as security for any banking facilities and borrowings as at 31 December 2014 and 2013.

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 an area of concern of the Group. It is a policy of the Group to have its entities operate in their corresponding local currencies to minimise currency risks. The Group, after considering its exchange rate exposure for the period under review, did not enter into any exchange rate derivative or hedge contracts during the year. However, the management will continue to monitor foreign currency exposure and will consider hedging significant foreign currency exposure if and when necessary.

Capital Commitments

The Group had capital commitments of approximately HK$148,436,000 as at 31 December 2014 (2013: HK$167,291,000).

Litigation

(a) In January 2014, two independent parties (the "Plaintiffs") commenced a legal action against (a) two substantial shareholders of the Company (the "First and Second Defendants") and (b) the Company, whereby the Plaintiffs alleged that the First and Second Defendants have agreed to transfer convertible notes of the Company in the principal sum of HK$106,820,000 ("Disputed CN") to the Plaintiffs, but the Company failed to recognise the transfer and failed to issue shares in accordance with the Plaintiffs' conversion instruction. The Plaintiffs sought for total damages of HK$106,820,000 and interests and related costs.

    The Company filed defense on 12 March 2014 and denied the claims made by the Plaintiffs. The management of the Company made an assessment that the litigation is unlikely to result in any material impact on the financial position of the Company.

(b) On 16 June 2014, the Company received a writ of summons in the High Court of Hong Kong relating to the termination of placing agreement on 21 May 2014 with United Simsen Securities Limited ("United Simsen"). United Simsen as the plaintiff claimed against the Company for (a) the sum of HK$3,010,025.60; (b) reimbursement of costs and expenses; and c) indemnity against all claims, damages, costs and expenses from the placees, together with interest and costs. Details about the termination of the placing agreement were already disclosed in the Company's announcement dated 21 May 2014. The Company has settled the dispute with United Simsen on this action and paid United Simsen a settlement sum. Consequently, on 21 October 2014, this action was dismissed by way of consent order.

(c) On 11 July 2014, the Company received a writ of summons in the High Court of Hong Kong relating to the termination of open offer and underwriting agreement on 23 June 2014 with United Simsen. United Simsen claimed against the Company for (a) the sum of HK$8,850,496.07; (b) reimbursement for all reasonable legal fees, documentation fees and other reasonable out-of-pocket expenses in respect of the open offer under the underwriting agreement; and (c) indemnity against all claims, damages, costs and expenses from the sub-underwriters under the underwriting agreement, together with interest and costs. Details about the termination of the open offer and the underwriting agreement were already disclosed in the Company's announcement dated on 23 June 2014. The Company has settled the dispute with United Simsen on this action and paid United Simsen a settlement sum. Consequently, on 21 October 2014, this action was dismissed by way of consent order.

Contingent Liabilities

Save as the litigation disclosed above, the Group had no other material contingent liabilities as at 31 December 2014 and 2013.

Employee Information

As at 31 December 2014, the Group had a total workforce of 30 (2013: 40). The Group remunerates its employees based on their work performance, working experiences, professional qualifications and the prevailing market practice.

Prospects

Natural Resource Industries

The Group has been seeking investment opportunities from time to time to broaden the Group's sources of income. The success of the Acquisition of the Totalbuild Investments Group in 2011 enables the Group to diversify its business into natural resources business. Although the delay in the production plan of oil/gas in Xinjiang will delay the return for the capital investment in oil and gas business, the management of the Group maintains its long term confidence on the natural gas and oil industries and the Acquisition will broaden the revenue stream of the Group in the future.

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 evaluate 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities, during the year ended 31 December 2014.

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 (the "**CG Code**") contained in Appendix 14 to the Listing Rules. Throughout the year ended 31 December 2014, the Group has complied itself with all CG Code except for the following:

(a) Paragraph A.2.1 of the CG Code states that 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. Since the position of chairman is vacated, the Board is currently identifying the suitable candidate to fill the vacancy and will ensure that the chairman will be appointed as soon as possible. Up to the date of this announcement, the chairman of the Board is vacated and Mr. Zhao Guoqiang is the CEO.

(b) Under Paragraph E.1.2 of the CG Code, the chairman of the Board should attend the AGM. However, the position of chairman is currently vacated. Other Directors have attended the AGM and were prepared to answer questions from shareholders at the AGM. The Company will periodically review its corporate governance practices to ensure that the Company is in compliance with the requirements of the CG Code.

(c) Under Paragraph A.4.1 and A.4.2 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election while all directors should be subject to retirement by rotation at least once every three years. For the year under review, all 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.

(d) Under Paragraph A.6.7 of the CG Code, Mr. Sun Xiaoli and Mr. Wang Yongguang, the independent non-executive directors, were unable to attend the AGM of the Company held on 25 June 2014 as they were out of town for other businesses.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 directors have confirmed following specific enquiry by the Company that they have complied with the required standard set out in the Model Code through the year under review.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors of the Company. The audit committee has adopted terms of reference which are in line with the CG Code. The Group's audited financial statements for year ended 31 December 2014 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.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the announcement of the Group's consolidated statements of comprehensive income and financial position and the related notes thereto for the year ended 31 December 2014 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO 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 BDO Limited on the announcement.

PUBLICATION OF ANNUAL RESULTS AND 2014 ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.cnenergy.com.hk). The 2014 annual report of the Company for the year ended 31 December 2014 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
Chui Kwong Kau
Executive Director

Hong Kong, 30 March 2015

As at the date of this announcement, the Board comprises Mr. Zhao Guoqiang and Mr. Chui Kwong Kau as executive directors; Dr. Gu Quan Rong as a non-executive director; and Mr. Fu Wing Kwok, Ewing, Mr. Sun Xiaoli and Mr. Wang Yongguang as independent non-executive directors.