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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 2015

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 2015 together with comparative figures for 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

		2015	2014
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**7,399**	37,261
Other income	*4*	**8,408**	6,801
Cost of inventories consumed		**(5,281)**	(34,321)
Staff costs		**(11,882)**	(11,027)
Operating lease rentals		**(3,287)**	(5,642)
Depreciation of property, plant and equipment		**(679)**	(662)
Fuel costs and utility expenses		**(410)**	(483)
Fair value loss of financial assets held for trading		**(44,648)**	(1,286)
Impairment of intangible assets	*9*	**(1,057,000)**	–
Impairment of exploration and evaluation assets	*9*	**(256,000)**	–
Gain on reversal of impairment of loan receivable		**22,783**	–
Gain on cancellation of convertible notes	*12*	**92,459**	–
Loss on disposal of property, plant and equipment		**–**	(45)
Other operating expenses		**(26,572)**	(17,608)
Finance costs		**(9,209)**	(13,228)
Loss before income tax	*5*	**(1,283,919)**	(40,240)
Income tax credits	*6*	**2,483**	3,586
Loss for the year		**(1,281,436)**	(36,654)

* *For identification purposes only*

	Notes	**2015** **HK$'000**	2014 *HK$'000*
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(166,830)**	(86,177)
Total comprehensive income for the year		**(1,448,266)**	(122,831)
Loss attributable to:			
Owners of the Company		**(1,281,436)**	(36,654)
Non-controlling interests		**–**	–
		(1,281,436)	(36,654)
Total comprehensive income attributable to:			
Owners of the Company		**(1,448,266)**	(122,831)
Non-controlling interests		**–**	–
		(1,448,266)	(122,831)
Loss per share	*8*		
— Basic (HK cents)		**(13.48)**	(0.42)
— Diluted (HK cents)		**(13.48)**	(0.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**4,252**	3,033
Exploration and evaluation assets		**433,832**	724,908
Intangible assets	*9*	**1,792,785**	2,994,689
Deferred tax assets		**89,796**	91,836
		2,320,665	3,814,466
Current assets			
Loan and interest receivables	*10*	**46,803**	–
Financial assets held for trading		**68,442**	1,171
Other receivables, deposits and prepayments		**6,995**	6,269
Amounts due from related companies		**9,137**	7,196
Cash and bank balances		**204,278**	370,735
		335,655	385,371
Total assets		**2,656,320**	4,199,837
Current liabilities			
Trade payables	*11*	**2,889**	2,889
Other payables and accruals		**463,889**	475,890
Amount due to a shareholder		**40,402**	40,402
		507,180	519,181
Net current liabilities		**(171,525)**	(133,810)
Total assets less current liabilities		**2,149,140**	3,680,656

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Non-current liabilities			
Convertible notes	*12*	**52,234**	135,484
Deferred tax liabilities		**53**	53
		52,287	135,537
Net Assets		**2,096,853**	3,545,119
Equity			
Share capital		**475,267**	475,267
Reserves		**1,620,833**	3,069,099
Attributable to owners of the Company		**2,096,100**	3,544,366
Non-controlling interests		**753**	753
Total equity		**2,096,853**	3,545,119

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

(i) Basis of measurements

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.

(ii) Going concern basis

During the year, the Group has incurred a loss of HK$1,281,436,000 (2014: HK$36,654,000) and at the end of reporting period, its current liabilities exceeded its current assets by HK$171,525,000 (2014: 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 of the Company was informed that Mr. Wang Guoju was formally charged by prosecution authorities in China for illegal operation crime (the "**Charge**"), possibly involving allegations about improper conduct during the obtaining of the petroleum contract, which was entered into with China National Petroleum Corporation ("**CNPC**") to drilling, exploration and production of oil and natural gas in North Kashi Block, Tarim Basin in the People's Republic of China ("**PRC**") (the "**Petroleum Contract**"). After taking into account of the legal opinion, the directors of the Company consider that the Charge is only at a preliminary stage as at 31 December 2015 and up to the present, the directors of the Company is not in the position to assess its possible impact on the Group's oil and gas operation and financial position. According to the legal opinion from the Group's legal advisers, the Group may not be able to exercise its right under the Petroleum Contract if Mr. Wang is found guilty for improper conduct during the obtaining of the Petroleum Contract which might render the contract voidable. However, the directors consider that they have long-term and regular working relationship with CNPC and up to now, did not receive any notification from CNPC declaring the Petroleum Contract voidable, and so they expected that the Petroleum Contract will continue to be valid and will execute as planned.

As at 31 December 2015, the directors are still negotiating with CNPC with the view to signing the Gas Sales Agreements ("**GSA**") and expected the negotiation of the GSA will complete in the year 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 key outstanding point which the Group has yet to agree with CNPC is the unit price of gas. The natural gas pricing reform close 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.

The Group has been carrying out exploration activities at the site. The preparation of the formal reserve report is a part of the Overall Development Program ("**ODP**") which required government approval before full production could be started. The formal reserve report has been submitted to PRC government and waiting for approval. As at 31 December 2015, the approval of ODP from National Development and Reform Commission has not yet been obtained. The delay in finalising the formal reserve report together with the ODP is the major reason for the delay in government approval. Base on current information available to the directors, the directors expect that the ODP should be ready by 2017 and the development and production period should start immediately after obtaining relevant government approval.

As an interim measures to strengthen the Group's cash flow before the signing of the GSA, a preliminary natural gas sharing proposal is discussed and agreed by the joint management committee of Kashi project 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 covers the natural gas from pilot-production which was delivered and sold during the year ended 31 December 2014. Up to the date of this report, the Company is still negotiating with CNPC with the view to signing the proposal which covers the natural gas from pilot-production which was delivered and sold during the year ended 31 December 2015 (the "**3rd Proposal**"). However, the unit price adopted in the proposals is only an indicative price which has yet to be finalised by CNPC and the Group, and the final unit price is still subject to change and would only be confirmed after the formal GSA signed. Up to the date of approval of these financial statements, the Group has not yet received the proceeds as agreed in the preliminary sharing proposals, and the directors are still negotiating with CNPC to fix the payment schedule. Based on currently available information, the directors expect the proposed distribution from the Proposal and 2nd Proposal will be received during the year 2016.

The Group's current liabilities as at 31 December 2015 are mainly attributable to exploration and evaluation cost payables amounting to HK$421,119,000, and directors of the Company confirm that these contractors are aware of the fact that the Company is in the process of negotiating the settlement dates of the above mentioned proceed from preliminary gas sharing proposals, and hence these contractors are not expected to demand payment of the construction costs until CNPC has settled the proceed as agreed in the preliminary gas sharing proposals. However, no written confirmation from these contractors has been obtained to confirm that they will not demand repayment before the Company receive proceed from CNPC.

In view of the above circumstances, 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) the Petroleum Contract continues to be valid; (ii) the proceeds as agreed in the preliminary gas sharing proposals will be received before 31 December 2016; and (iii) the contractors will not demand the Company to settle the construction cost payables before the Company receive the proceed from preliminary gas sharing proposals from CNPC. Taking into account the above assumptions, the directors of the Company consider 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 2015.

Should the use of the going concern basis in preparation of the consolidated financial statements be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

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 2015

During the year, the Group has adopted a number of amendments to the HKFRSs which did not have material impact on the Company's consolidated 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 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[#]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
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 2018
\# No mandatory effective date yet determined but it is available for immediate adoption

Amendments to HKAS 1 — Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 16 and HKAS 38 — Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Amendments to HKAS 27 — Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate

Amendments to HKFRS 11 — Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

Amendments to HKFRS 11 — Accounting for Acquisitions of Interests in Joint Operations

The amendments require an entity to apply all of the principles of HKFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined in that standard. The principles of HKFRS 3 are also applied upon the formation of a joint operation if an existing business as defined in that standard is contributed by at least one of the parties.

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application and the directors are not yet in a position to quantify the effects on the Group's financial statements.

(c) Amended Main Board Listing Rules (as below-mentioned) relating to the presentation and disclosures in financial statements

The amended Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "**Amended Main Board Listing Rules**") in relation to the presentation and disclosures in financial statements, including the amendments with reference to the new Hong Kong Companies Ordinance, Cap. 622, apply to the Group in this financial year.

The directors consider that there will be no impact on the Group's financial position or performance. However the Amended Main Board Listing Rules would have impacts on the presentation and disclosures in the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports that are regularly reviewed by the chief operating decision-maker in order to allocate 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 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.

The Money Lending Business segment is engaged in provision of loans to third parties, which is a new business commenced during the year and identified as a reportable segment as a result of its importance to the total revenue of the Group.

The segment information provided to the Board for the reportable segments for the years ended 31 December 2015 and 2014 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*	**Money Lending Business** *HK$'000*	**Total** *HK$'000*
For the year ended 31 December 2015				
Revenue from external customers	**–**	**5,399**	**2,000**	**7,399**
Reportable segment loss before income tax	**(1,323,202)**	**(3,857)**	**(53)**	**(1,327,112)**
Segment results included:				
Impairment of intangible assets	**1,057,000**	**–**	**–**	**1,057,000**
Impairment of exploration and evaluation assets	**256,000**	**–**	**–**	**256,000**
Interest income	**6**	**–**	**–**	**6**
Depreciation	**536**	**143**	**–**	**679**
Additions to non-current assets	**67**	**1,963**	**–**	**2,030**
Reportable segment assets	**2,271,887**	**15,016**	**46,803**	**2,333,706**
Reportable segment liabilities	**(449,660)**	**(9,116)**	**–**	**(458,776)**

	Exploration and Production *HK$'000*	Sales of Food and Beverages Business *HK$'000*	Money Lending 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)

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

	2015	2014
	HK$'000	*HK$'000*
Loss before income tax		
Reportable segment loss before income tax	**(1,327,112)**	(12,057)
Other income	**4,008**	1
Fair value loss of financial assets held for trading	**(44,648)**	(1,286)
Finance costs	**(9,209)**	(13,228)
Gain on reversal of impairment of loan receivable	**22,783**	–
Gain on cancellation of convertible notes	**92,459**	–
Unallocated head office and corporate expenses	**(22,200)**	(13,670)
Loss before income tax	**(1,283,919)**	(40,240)

	2015	2014
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**2,333,706**	3,936,711
Deferred tax assets	**89,796**	91,836
Other receivables	**1,610**	48
Financial assets held for trading	**68,442**	1,171
Unallocated head office and corporate assets *(note)*	**162,766**	170,071
Total assets	**2,656,320**	4,199,837

	2015	2014
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**458,776**	472,999
Deferred tax liabilities	**53**	53
Convertible notes	**52,234**	135,484
Amount due to a shareholder	**40,402**	40,402
Unallocated head office and corporate liabilities	**8,002**	5,780
Total liabilities	**559,467**	654,718

Note:

Unallocated corporate assets included cash and bank balances amounting to HK$162,766,000 (2014: HK$170,071,000).

(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**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**7,399**	37,261	**1,970**	122
PRC	**–**	–	**2,228,899**	3,722,508
	7,399	37,261	**2,230,869**	3,722,630

4. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Bank interest income	**11**	28
Sundry income	**3**	–
Reversal of long service payment	**–**	86
Government subsidy for disposal of motor vehicle	**–**	101
Written off of other payables and accruals	**4,000**	271
Exchange gain	**4,394**	6,315
	8,408	6,801

5. LOSS BEFORE INCOME TAX

	2015	2014
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging:		
Auditor's remuneration	**960**	921
Cost of inventories consumed	**5,281**	34,321
Compensation of a legal claim	**–**	4,250
Depreciation of property, plant and equipment	**679**	662
Loss on disposal of property, plant and equipment	**–**	45
Impairment of intangible assets	**1,057,000**	–
Impairment of exploration and evaluation assets	**256,000**	–
Staff costs (including directors' remuneration)		
— Wages and salaries and other benefits	**11,794**	10,900
— Pension fund contributions	**88**	127
	11,882	11,027
Operating lease rentals		
— Related companies	**–**	555
— Third parties	**3,287**	5,087
	3,287	5,642

6. INCOME TAX CREDITS

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

	2015	2014
	HK$'000	*HK$'000*
Current tax		
— tax for the year	**(2)**	(4)
Deferred tax — current year	**2,485**	3,590
Total income tax credits	**2,483**	3,586

Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the year. PRC enterprise income tax is calculated at 25% (2014: 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:

	2015	2014
	HK$'000	*HK$'000*
Loss before income tax	**(1,283,919)**	(40,240)
Effect of tax at Hong Kong profits tax rate of 16.5% (2014: 16.5%)	**(211,847)**	(6,639)
Effect of different tax rate of subsidiaries operating in other jurisdiction	**(888)**	(1,283)
Tax effect of income not taxable for tax purposes	**(25,675)**	(91)
Tax effect of expenses not deductible for tax purposes	**234,571**	3,674
Tax effect of utilisation of tax losses	**–**	(29)
Tax effect of unused tax losses not recognised	**1,356**	782
Income tax credits for the year	**(2,483)**	(3,586)

7. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2015 (2014: Nil), nor has any dividend been proposed since the end of reporting period (2014: 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 year.

	2015	2014
	HK$'000	*HK$'000*
Loss attributable to owners of the Company	**(1,281,436)**	(36,654)
	Number of shares	*Number of shares*
Weighted average number of ordinary shares in issue	**9,505,344,000**	8,645,956,734
	HK Cents	*HK Cents*
Basic loss per share	**(13.48)**	(0.42)

(b) Diluted

Diluted loss per share is the same as basic loss per share for the year ended 31 December 2015 and 2014 as the potential ordinary shares on convertible notes are anti-dilutive.

9. INTANGIBLE ASSETS

	HK$'000
Cost	
At 1 January 2014	3,067,142
Exchange differences	(72,453)
At 31 December 2014 and 1 January 2015	2,994,689
Impairment loss *(note)*	(1,057,000)
Exchange differences	(144,904)
At 31 December 2015	1,792,785

Note:

The intangible assets represent the interests in the Petroleum Contract and stated at costs. No amortization was provided for the year ended 31 December 2015 and 2014.

Impairment loss of intangible assets and exploration and evaluation asset in the amounts of HK$1,057,000,000 and HK$256,000,000 respectively were recognised during the year as the carrying amount of the cash generating unit for the exploration and production segment exceeds its recoverable amount. The impairment loss was due to the significant and continual decrease in oil price during the year, which was believed to have reduced the price competitiveness and demand of natural gas in the western part of China. The Company's management expected that the downturn of oil price may continue in the near future and the demand of nature gas would be lower than previous estimation. As a result of the decreased oil price and actual gas output, it is necessary and appropriate to revise the production forecast of Kashi project for the remaining contract period. The recoverable amount of the cash generating unit for the exploration and production segment was HK$2,230,000,000 based on value in use calculation and by reference to the valuation report produced by an independent valuer.

10. LOAN AND INTEREST RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Loan and interest receivables		
— money lending business *(note a)*	**46,803**	–
— others *(note b)*	**–**	–
	46,803	–

Note:

(a) As at 31 December 2015, the loan receivables with principal amounts of HK$46,000,000 (2014: Nil) and related interest receivables of HK$803,000 (2014: Nil) were due from two (2014: Nil) independent third parties. These loans are interest-bearing at rates ranging from 12% to 18% (2014: Nil) per annum.

As at 31 December 2015, loans receivables with principal amounts of HK$40,000,000 were less than 1 month past due, which resulted in overdue interest receivables of approximately HK$735,000 which was fully settled with relevant interest receivables in February 2016. The remaining balance was neither past due nor impaired.

(b) Loan receivables of HK$59,883,000 from independent third parties, which were unsecured, interest-bearing at 0.5% to 1% per month and repayable within 1 year have been fully impaired during the year ended 31 December 2011. Of this amount, HK$37.1 million was loan receivable from Sing Pao Media Enterprises Limited (formerly known as SMI Publishing Group Limited) ("**Sing Pao**")), a company listed on SEHK, but trading of this company's shares was suspended from 28 April 2005 and delisted on 18 August 2015. The loan receivable from Sing Pao is secured by a personal guarantee of a third party. Another HK$22.8 million was loan receivable from Birmingham International Holding Limited ("**Birmingham**"), a company listed on SEHK. The loan receivable from Birmingham is unsecured.

During the year ended 31 December 2015, a winding-up order was made against Sing Pao and the Group has already submitted proof of debt form to liquidator of Sing Pao up to the report date. The Group is now actively considering to take appropriate action to secure the Group's position.

During the year ended 31 December 2015, Birmingham settled the total amount of HK$22,783,000 to the Group, which was recognised as gain on reversal of impairment of loan receivable.

11. TRADE PAYABLES

An ageing analysis of trade payables of the Group as at 31 December 2015 and 2014 is as follows:

	2015	2014
	HK$'000	*HK$'000*
Current to 3 months	**–**	–
Over 1 year	**2,889**	2,889
Total trade payables	**2,889**	2,889

12. CONVERTIBLE NOTES

As a result of the acquisition of Totalbuild Investment Group (Hong Kong) Limited (the "**Totalbuild Transaction**"), the Company has issued convertible bonds in principal amount of HK$2,558,000,000 carrying right to convert to shares of the Company ("**Shares**") at the conversion price of HK$0.168 each ("**Tranche I Convertible Notes**") to U.K. Prolific Petroleum Group Company Limited ("**UK Prolific**"), which was nominated by the vendor in Totalbuild Transaction (the "**Vendor**") to be the allottee of such bonds. In accordance with the terms of Totalbuild Transaction, a principal amount of HK$1,279,000,000 (the "**Shortfall Notes**") out of the Tranche I Convertible Notes was deposited with an escrow agent which should only be released to the Vendor (or UK Prolific as the Vendor may direct) if the Company receives a written certificate issued by the competent evaluator confirming that the "First Designated Area" (as defined in the Company's circular dated 3 December 2010) can be evaluated on the basis of "Unrisked Economic Evaluation" (as defined in the Circular) on or before 31 May 2015.

No such written certificate was received by the Company on or before 31 May 2015. Under the terms of Totalbuild Transaction, the Shortfall Notes have been returned to the Company for cancellation. The gain of HK$92,459,000 was recorded as the result of the cancellation of Shortfall Notes.

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

	Carrying amount	
	Liability component	**Equity component**
	HK$'000	*HK$'000*
At 1 January 2014	122,256	2,005,233
Interest expenses	13,228	–
At 31 December 2014 and 1 January 2015	135,484	2,005,233
Interest expenses	9,209	–
Cancellation of convertible notes	(92,459)	(1,309,405)
At 31 December 2015	52,234	695,828

No convertible notes have been converted during the years ended 31 December 2015 and 2014.

The convertible notes with outstanding principal amount of HK$679,670,000 and HK$1,958,670,000 as at 31 December 2015 and 2014 respectively have maturity date falling 30 years from the date of issue on 3 January 2011.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

BASIS FOR DISCLAIMER OF OPINION

1. *Scope limitation — intangible assets, exploration and evaluation assets, and deferred tax assets*

   Included in the consolidated statement of financial position as at 31 December 2015 are intangible assets, exploration and evaluation assets, and deferred tax assets with carrying amounts of HK$1,792,785,000, HK$433,832,000 and HK$89,796,000 respectively (collectively referred to as the "Assets"). The Assets were principally acquired by the Group through acquisition of 100% equity interest in Totalbuild Investments Group (Hong Kong) Limited ("TIG Limited") and its subsidiaries ("Totalbuild Transaction") during the year ended 31 December 2011 from a company controlled by Mr. Wang Guoju. As further disclosed in Note 15, 16 and 18 to the consolidated financial statements, the intangible assets represent interests in the petroleum contract, which was entered between China Era Energy Power Investment (Hong Kong) Limited, a subsidiary of TIG Limited, and China National Petroleum Corporation ("CNPC") to explore, exploit and produce oil and natural gas in North Kashi Block, Tarim Basin in the People's Republic of China ("PRC") (the "Petroleum Contract"). Exploration and evaluation assets represents costs directly associated with exploratory wells (drilling cost and others) that are capitalised and deferred tax assets related to tax loss arise from exploration and evaluation activities.

   As at 31 December 2015, the directors of the Company estimated the recoverable amount of the Assets, and noted that the carrying amount of the intangible assets and exploration and evaluation assets exceeded the recoverable amount of the cash generating unit of these assets. Accordingly, impairment losses of HK$1,057,000,000 and HK$256,000,000 were recognised for the year ended 31 December 2015 on intangible assets and exploration and evaluation assets. In estimating the recoverable amounts, the directors of the Company made certain assumptions which include the future business plan of the oil and gas operation and the Petroleum Contract will be executed as planned.

   As further explained in Note 31(b) to the consolidated financial statements, the directors of the Company was informed that Mr. Wang Guoju, as guarantor of the vendor for the Totalbuild Transaction, was formally charged by prosecution authorities in China for illegal operation crime (the "Charge"), possibly involving allegations about improper conduct in obtaining the Petroleum Contract. The directors of the Company have obtained a legal opinion in respect of the Charge which state that the Charge is only at a preliminary stage and it is not possible to estimate the outcome. The legal opinion also states that if Mr. Wang Guoju is found guilty for improper conduct in obtaining the Petroleum Contract this might render the Petroleum Contract to become voidable. As a result, the Group may not be able to exercise its right under the Petroleum Contract.

   After taking into account of the legal opinion, as to the remedies, the Company has commenced legal proceedings in the Grand Court of the Cayman Islands against various parties including Mr. Wang Guoju and the vendor. Despite of the Charge, the directors of the Company consider that the Petroleum Contract will continue to be valid and will be executed as the Group have close working relationship with CNPC and up to the date of the report, there is no indication from CNPC regarding any potential claim or questioning on the validity of the Petroleum Contract.

As at the date of this report, there is no adjudication in respect of the Charge yet. As a result, we are unable to obtain sufficient and appropriate audit evidence concerning (i) the validity of the Petroleum Contract and therefore as to the ownership of the intangible assets which is one of the major assets of the Exploration and Production segment of the Group; and (ii) whether the recoverable amounts and impairment provisions of the Assets were appropriately recognised. Any adjustments to the carrying amount of the Assets found to be necessary would reduce the Group's net assets as at 31 December 2015, increase the Group's loss for the year then ended and affect the related elements making up the consolidated statement of changes in equity and the consolidated statement of cash flows.

2. *Uncertainties relating to going concern*

As at 31 December 2015, the Group had net current liabilities of HK$171,525,000 and incurred a loss of HK$1,281,436,000 for the year ended 31 December 2015. In addition, as detailed in part 1 above, if the Charge is valid and the Petroleum Contract is voidable, the Group may not be able to exercise its right under the Petroleum Contract. 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.

Notwithstanding the foregoing, the directors of the Company have prepared the consolidated financial statements on a going concern basis, the appropriateness of which largely depends upon the outcome of the underlying assumptions as detailed in Note 3(b)(ii) to the consolidated financial statements which in particular include (i) the Petroleum Contract continues to be valid; (ii) CNPC will pay the proceeds as agreed in the preliminary gas sharing proposals before 31 December 2016; and (iii) the contractors will not demand the Company to settle the construction cost payables before the Company receives the proceeds from the preliminary gas sharing proposals from CNPC.

If Mr. Wang Guoju is found guilty for improper conduct in obtaining the Petroleum Contract as mentioned in part 1 above, the Petroleum Contract may become voidable. Ownership of the intangible assets and the recoverable amounts of the Assets, which are the major assets of the Exploration and Production segment of the Group, will be in doubt and the Group may not be able to carry out the business relating to exploration, development, production and sales of natural gas. In addition, the Company have not obtained any written document that CNPC will pay the proceeds before 31 December 2016 and the contractors will not demand payment of the construction cost payables until the Company receives the proceeds from CNPC.

Accordingly, we are unable to determine whether it is appropriate to prepare the consolidated financial statements on the going concern basis. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the going concern basis is appropriate. Should the going concern basis be considered inappropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis of Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

During the year, the Group recorded a revenue in the amount of approximately HK$7,399,000 (2014: HK$37,261,000), representing a decrease of 80% as compared to the last year. The Group commenced its money lending segment and generated revenue in the second half of year. However, the Group's revenue was mainly derived from the sales of food and beverages business segment and the exploration and production segment did not generate any revenue to the Group.

The Group recorded a loss attributable to the owners of the Company in the amount of approximately HK$1,281,436,000, compared to a loss of approximately HK$36,654,000 during the last year. The increase in loss was mainly due to the impairment loss of (1) intangible assets and (2) exploration and evaluation assets of the Group's exploration and production segment in the amounts of HK$1,057,000,000 and HK$256,000,000 respectively. Loss per share attributable to the owners of the Company was 13.48 HK cents (2014: 0.42 HK cents).

Business Review

Exploration and Production Segment

The Group's wholly-owned subsidiary, Totalbuild Investments Group (Hong Kong) Limited and its subsidiaries ("**Totalbuild Investments Group**") entered into petroleum contract with 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.

In June 2015, the Group commenced legal actions against the vendor of Totalbuild Investments Group, as further disclosed in the section headed "Litigation" in this announcement.

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 finalizing the ODP documentation and the preparation of formal reserve report. The production period should start immediately after obtaining relevant government approval on ODP.

Despite numerous reminders and enormous efforts of the management during the period under review, up to the date of this announcement, no GSA has been signed with CNPC, and the ODP which signifies the transition from exploration period into the development period of Kashi Project is still preparing. The required reserve report on the cooperation site has been submitted to PRC government and waiting for approval. In March 2015, the Group has issued formal application to CNPC to apply for a two-year extension of the exploration period of Kashi Project beyond the original headline of 31 May 2015, as the exploration efforts in the cooperation site has not been completed. As of the date of this announcement, the Group has not received formal notice of extension from CNPC. The Group will continue to use its best efforts to make progress on Kashi Project and will seek legal advice with the view to upholding its right if and when appropriate.

Since the acquisition of Totalbuild Investments Group, pilot productions were carried out at the site. 142,820,000 (2014: 202,670,000) cubic meters of gas was extracted during the year. The information obtained from research and pilot production will form part of the information to be contained in the application of the ODP. The gas so produced during the pilot productions has been sold to the local customers near the site area.

As at 31 December 2015, the acquired oil/gas field has approximately estimated contingent resources of 47.4 (31 December 2014: 47.4) thousand barrels ("**Mbbl**") of oil and 11,633 (2014: 11,703) million cubic metres ("**MMm^3**") 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 the following matters: (i) there is no definitive GSA or accurate information on likely future sales prices; (ii) the future overall development program 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 contribute any revenue and the Group is still negotiating with CNPC regarding the price term. The segment loss before income tax was approximately HK$1,323,202,000 (2014: HK$12,604,000). Impairment loss on intangible assets and exploration and evaluation assets in the amounts of HK$1,057,000,000 and HK$256,000,000 respectively were recognised during the year as the carrying amounts of the intangible assets and exploration and evaluation assets exceeds the recoverable amount. The recoverable amount was determined with reference to the valuation report produced by an independent valuer. 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 be approved. 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

	2015	2014
	HK$'000	*HK$'000*
Net sales to customers	**–**	–
Other income	**4,400**	6,355
Operating expenses	**(14,066)**	(18,341)
Depreciation	**(536)**	(618)
Impairment of intangible assets	**(1,057,000)**	–
Impairment of exploration and evaluation assets	**(256,000)**	–
Results of operations before income tax expenses	**(1,323,202)**	(12,604)

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

	2015	2014
	HK$'000	*HK$'000*
Exploration cost	**–**	15,023

Information on oil/gas field and gross contingent resources

Under the Petroleum Contract, the exploration period covers 6 years commencing from 1 June 2009. The Group has issued formal application to CNPC to apply for a two-year extension of the exploration period of the Petroleum Contract beyond the original headline of 31 May 2015, as the exploration efforts in the cooperation site has not been completed. As at 31 December 2015, the Group has 5 exploration wells and the carrying amounts of the exploration and evaluation assets were approximately HK$433,832,000. Since the acquisition of Totalbuild Investments Group, the exploration activities were carried out under the Petroleum Contract. During the year, the Group incurred operating expenses of approximately HK$14,066,000 and 142,820,000 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 the ODP has yet to be approved.

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)*
As at 31 December 2014 and 1 January 2015	47.4	11,703
Pilot-production activity during the year	–	70
At 31 December 2015	47.4	11,633

Sales of Food and Beverages Business

During the year, the Group recorded a revenue from the sales of food and beverages business of approximately HK$5,399,000 (2014: HK$37,261,000), representing a decrease of 86% as compared to the last year. The segment loss before tax expenses was approximately HK$3,857,000 (2014: profit of HK$547,000). The significant decrease in revenue during the year was mainly due to the Group's intention to reduce reliance on the sales of food and beverage to related companies. The Group has tried to change the customer and product mix with a view to increasing diversity of this business segment and we will continue to keep track of the economic environment and review the future allocation of resources as and when required.

Money Lending Business

During the year under review, the Group commenced its money lending business through Zhong Neng Finance Ltd, an indirect wholly-owned subsidiary of the Company, which holds a money lenders licence under the Money Lenders Ordinance (Cap. 163, Laws of Hong Kong). As at 31 December 2015, the loan and interest receivables were approximately HK$46,803,000. The Group recorded a revenue from the money lending business of approximately HK$2,000,000 and the segment loss before tax expenses was approximately HK$53,000.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 31 December 2015, the Group had no outstanding interest bearing borrowings (2014: Nil). The cash and cash equivalents of the Group were approximately HK$204,278,000 (2014: HK$370,735,000). The Group's current ratio (current assets to current liabilities) was approximately 0.7% (2014: 0.8%). The ratio of total liabilities to total assets of the Group was approximately 21.1% (2014: 15.6%).

As at 31 December 2015, the convertible notes outstanding principal amount of HK$679,670,000 due in 2041 not carrying any interest with right to convert the convertible notes into ordinary shares of the Company. The conversion price is HK$0.168 per share (subject to adjustments) and a maximum number of 4,045,654,761 shares may be allotted and issued upon exercise of the conversion rights attached to the convertible notes in full. During the year, no convertible note was converted to ordinary shares of the Company.

In June 2015, the Group commenced legal actions against the holder(s) of the convertible notes, as further disclosed in the section headed "Litigation" in this announcement.

Charge of Assets

None of the assets of the Group were pledged as security for any banking facilities and borrowings as at 31 December 2015 and 2014.

Exchange Exposure

The Group mainly operates in Hong Kong and PRC and the exposure in exchange rate risks mainly arises from fluctuations in the HK dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. The policy of the Group for its operating entities operates in their corresponding local currencies to minimize currency risks. The Group, after reviewing its exposure for the time being, did not enter into any derivative contracts aimed at minimizing exchange rate risks during the year. However, management will monitor foreign currency exposure and will consider hedging significant foreign currency exposure if necessary.

Capital Commitments

The Group had capital commitments of approximately HK$141,254,000 and HK$123,900,000 as at 31 December 2015 (2014: HK$148,436,000 and Nil) in respect of exploration and evaluation expenditure and capital contributions in a subsidiary respectively.

Litigation

Reference is made to the announcements (the "**Announcements**") of Company dated 7 June 2015, 17 June 2015, 25 June 2015, 29 June 2015 and 18 August 2015 in relation to, inter alia, the commencement of the Litigation in relation to Totalbuild Transaction against the Vendor, Mr. Wang Guoju, UK Prolific, Mr. Wang Hanning and other parties (the "**Defendants**").

As disclosed in the Announcements, the Board was recently informed that Mr. Wang Guoju was formally charged by prosecution authorities in China for (inter alia) illegal operation crime (the "**Charge**"), possibly involving allegations about improper conduct during the obtaining of the Petroleum Contract. After taking legal advice as to the remedies which should be sought by the Company to uphold its right, on 17 June 2015 (Cayman Islands time), the Company commenced legal proceedings in the Grand Court of the Cayman Islands (the "**Litigation**") against various parties including Totalbuild Investments Holdings Group Limited (the Vendor of Totalbuild Transaction), Mr. Wang Guoju (the guarantor of the Vendor), UK Prolific (the allottee of Tranche I Convertible Bonds as nominated by the Vendor) and Mr. Wang Hanning (owner and controller of UK Prolific), whereby the Company seeks, inter alia, a declaration that the acquisition agreement in relation to Totalbuild Transaction (the "**Totalbuild Agreement**") is void or, alternatively, the Company is allowed to rescind the Totalbuild Agreement, and other remedies including damages, on the basis that, inter alia, the Charge casts serious doubt over: (a) the warranties given by the Vendor and Mr. Wang Guoju in relation to the Petroleum Contract upon which the Company relied in entering into the Totalbuild Transaction; and (b) the validity of the Totalbuild Agreement by which the Company issued Tranche I Convertible Bonds to UK Prolific, and as a consequence UK Prolific's entitlement to any shareholding in the Company.

On 23 June 2015 (Cayman Islands time), upon the Company's application, the Grand Court of the Cayman Islands made an injunction order that until the determination of the Company's Writ of Summons relating to the Litigation or further order of the Court (inter alia):

1. The Defendants must not (a) dispose of, transfer, deal in, or diminish the value of, or (b) exercise any rights or powers (including but not limited to voting rights in general and/or extraordinary meetings) in respect of, and/or (c) enter into any agreement to effect the above, in relation to 1.86 billion issued shares in the Company, being part of the consideration for the Totalbuild Agreement; and

2. The Defendants must not complete and/or procure the conversion of the convertible bonds representing 13,366,190,476 underlying shares in the Company, being part of the consideration for the Totalbuild Agreement.

On 13 August 2015 (Cayman Islands time), upon the Company's undertaking not to allot, issue or deal with additional Shares or to make or grant offers, agreements or options in relation to the issuance of any additional Shares or securities (including any derivative interests in the Shares) without leave of the Court until the conclusion of the present trial relating to the Litigation or further Order, the Grand Court of the Cayman Islands made an order that the Injunction Order be continued until conclusion of the present trial relating to the Litigation or further Order, and the Company's costs of and occasioned by UK Prolific's Summons be paid by UK Prolific on the standard basis.

As the Litigation is only at a preliminary stage, the Board is not in the position to assess the possible impact on the Group's oil and gas operation and financial position. The Board will update shareholders and the public on any material development of the Litigation by way of announcement if and when appropriate. Details of the Litigation were disclosed in the Company's announcements 7 June 2015, 17 June 2015, 25 June 2015, 29 June 2015 and 18 August 2015.

Contingent Liabilities

Save as any contingent liabilities which may arise from any of the litigations disclosed in this announcement, the Group had no other material contingent liabilities as at 31 December 2015 and 2014.

Employee Information

As at 31 December 2015, the Group had a total workforce of 28 (2014: 30). The Group remunerates its employees based on their work performance, working experiences, professional qualifications and the prevailing market practice.

Prospects

Natural Resource Industries

As the litigation in relation to the Kashi Project is only in a preliminary stage, the Company will continue to closely monitor the status of the project and do what we can to uphold and protect the Company's best interest, our investment costs and our expectation on the return of the project.

Sales of Food and Beverages Business

The management has taken a cautious approach to manage the operations of the food and beverages segment. The Group will 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.

Other new businesses

The Group has been seeking investment opportunities from time to time to broaden the Group's sources of income. During the year under review, the Group has established new business divisions to engage in money-lending and investment business. The Board considers that such diversification can reduce the Group's reliance on its oil and gas and food and beverages segments.

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 2015.

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**"). Throughout the year ended 31 December 2015, the Group has complied itself with all CG Code and Report except for the following:

a. In relation to A.2.1 of the CG Code which 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 clearly established and set out in writing. During the year, the position of chairman was vacated and Mr. Zhao Guoqiang is the CEO. On 25 January 2016, Mr. Wang Yongguang was appointed the Chairman of the Company. Following the appointment of the Chairman, the Company has fulfilled the requirement of CG Code.

b. In relation to E.1.2 of the CG Code, the chairman of the Board should attend the AGM. As announced by the Company on 29 June 2015, the Company's 2015 AGM which was originally scheduled to be held on 30 June 2015 was adjourned until further notice. The Company's 2015 AGM was eventually held on 26 January 2016. On 25 January 2016, Mr. Wang Yongguang was appointed the Chairman of the Company. Mr. Wang attended and chaired the Company's AGM on 26 January 2016. With the appointment of Mr. Wang as the Company's Chairman and the holding of the adjourned 2015 AGM on 26 January 2016, the Company has fulfilled the requirement of CG Code.

c. In relation to A.4.1 and A.4.2 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election while all directors should be subject to retirement by rotation at least once every three years. For the year under review, all independent non-executive directors of the Company have not been appointed for a specific term but they are subject to retirement by rotation in accordance with the Company's articles of association.

d. In relation to I(f) of the CG Code, the board shall comprise at least three independent non-executive directors. Following the resignation of Mr. Sun Xiaoli as an independent non-executive director on 17 June 2015, the number of independent non-executive directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules. On 21 July 2015, Mr. Zong Ketao has been appointed as an independent non-executive director. Following the appointment of Mr. Zong, the Company has fulfilled the requirement of minimum number of independent non-executive directors under Rule 3.10(1) of the Listing Rules.

e. As announced by the Company on 25 January 2016, Mr. Wang Yongguang was re-designated as a non-executive director. Due to Mr. Wang's re-designation, (i) the number of independent non-executive directors had fallen below the minimum number of three as required under Rule 3.10(1) of the Listing Rules; (ii) the audit committee of the Company did not have a majority membership comprising independent non-executive directors as required under Rule 3.21 of the Listing Rules; and (iii) the remuneration committee of the Company did not have a majority membership comprising independent non-executive directors as required under Rule 3.25 of the Listing Rules. Following the appointments of Mr. Cheng Chun Ying and Mr. Lee Man Tai as independent non-executive directors and members of the audit committee and the remuneration committee of the Company on 26 January 2016, the Company had fulfilled (i) the requirement of minimum number of three independent non-executive directors under Rule 3.10(1) of the Listing Rules; (ii) the requirement of the audit committee of the Company comprising a majority of independent non-executive directors as required under Rule 3.21 of the Listing Rules; and (iii) the requirement of the remuneration committee of the Company comprising a majority of independent non-executive directors as required under Rule 3.25 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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. Except Mr. Sun Xiaoli who resigned as an independent non-executive director on 16 June 2015 and with whom the Company did not manage to verify, all other 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 two non-executive directors and three independent non-executive directors of the Company. The audit committee has adopted terms of reference which are in line with the CG Code. The Group's audited financial statements for year ended 31 December 2015 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, financial position and the related notes thereto for the year ended 31 December 2015 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 2015 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 2015 annual report of the Company for the year ended 31 December 2015 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
Wang Yongguang
Chairman

Hong Kong, 31 March 2016

As at the date of this announcement, the Board comprises Mr. Zhao Guoqiang (Chief Executive Officer and alternate director to Mr. Wang Yongguang and Dr. Gu Quan Rong) and Mr. Chui Kwong Kau as executive directors; Mr. Wang Yongguang (Chairman) and Dr. Gu Quan Rong as non-executive directors; and Mr. Zong Ketao, Mr. Cheng Chun Ying and Mr. Lee Man Tai as independent non-executive directors.