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 2018

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 2018 together with comparative figures for 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	3	**477,789**	13,039
Cost of inventories sold		**(6,466)**	(6,793)
Other income	4	**20,133**	399
Selling and distribution expenses		**(24,520)**	–
Staff costs	6	**(14,964)**	(11,299)
Operating lease rentals		**(3,579)**	(4,524)
Depreciation of property, plant and equipment		**(3,840)**	(2,761)
Fair value (loss)/gain of financial assets at fair value through profit or loss		**(13,064)**	15,678
Fair value loss of investment properties	10	**(10,849)**	–
Impairment of exploration and evaluation assets	11	**(36,000)**	(39,000)
Impairment and amortisation of intangible assets	12	**(212,727)**	(162,000)
Impairment of goodwill		**(1,151)**	(6,000)
Other operating expenses		**(24,059)**	(31,364)
Finance costs	5	**(8,474)**	(7,002)
Profit/(loss) before income tax	6	**138,229**	(241,627)
Income tax (expense)/credit	7	**(111,041)**	6,774
Profit/(loss) for the year		**27,188**	(234,853)

* *For identification purposes only*

	Notes	**2018** **HK$'000**	2017 HK$'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations attributable to:			
Owners of the Company		**(73,284)**	119,307
Non-controlling interests		**882**	(761)
		(72,402)	118,546
Total comprehensive income for the year		**(45,214)**	(116,307)
Profit/(loss) attributable to:			
Owners of the Company		**27,544**	(235,510)
Non-controlling interests		**(356)**	657
		27,188	(234,853)
Total comprehensive income attributable to:			
Owners of the Company		**(45,740)**	(116,203)
Non-controlling interests		**526**	(104)
		(45,214)	(116,307)
Earnings/(loss) per share attributable to owners of the Company for the year	*9*		
— Basic (HK cents)		**0.29**	(2.48)
— Diluted (HK cents)		**0.25**	(2.48)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Non-current assets			
Property, plant and equipment		**26,603**	31,178
Investment properties	*10*	**57,600**	–
Exploration and evaluation assets	*11*	**474,224**	369,087
Intangible assets	*12*	**1,250,254**	1,523,512
Goodwill		**–**	1,151
Deferred tax assets		**–**	99,673
		1,808,681	2,024,601
Current assets			
Account receivables	*13*	**439,596**	–
Financial assets at fair value through profit or loss		**61,476**	74,540
Other receivables, deposits and prepayments		**33,736**	78,412
Cash and bank balances		**68,084**	171,926
		602,892	324,878
Total assets		**2,411,573**	2,349,479
Current liabilities			
Other payables		**444,768**	536,902
Amount due to a shareholder		**39,363**	40,626
Amount due to non-controlling interests		**–**	6,222
Bank borrowings	*14*	**65,931**	–
		550,062	583,750
Net current assets/(liabilities)		**52,830**	(258,872)
Total assets less current liabilities		**1,861,511**	1,765,729

	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Other payables	**143,736**	–
Convertible notes	**71,467**	64,489
Deferred tax liabilities	**11,649**	–
	226,852	64,489
Net Assets	**1,634,659**	1,701,240
Equity		
Share capital	**475,267**	475,267
Reserves	**1,147,086**	1,214,193
Attributable to owners of the Company	**1,622,353**	1,689,460
Non-controlling interests	**12,306**	11,780
Total equity	**1,634,659**	1,701,240

Notes:

1. BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**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

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

(c) Going concern basis

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 below.

As at 31 December 2018, the Group has accounts receivable in the amount of HK$439,596,000 (2017: Nil), the balance mainly represents the amount due from China National Petroleum Corporation ("**CNPC**") related to sales of natural gas on and prior to 2018. The directors confirm that the CNPC has verbally agreed the proceeds could be paid in 2019 after the second supplement agreement has been properly executed. However, the Company has not obtained any written confirmation that CNPC will pay the proceeds before 31 December 2019 or the supplemental agreement has been signed at the date of this report.

The Group's current liabilities as at 31 December 2018 are mainly attributable to exploration and evaluation cost payables amounting to HK$353,956,000 (2017: HK$421,119,000). The directors of the Company confirm that these contractors are aware of the fact that the Group has yet to receive the proceeds from sales of natural gas related to prior years from CNPC, and that the Group will be able to successfully persuade these contractors not to insist on repayment of the construction costs until CNPC has settled the proceeds. However, there is no certainty that these contractors will not demand repayment before the Group receives the proceeds from CNPC.

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) CNPC will pay the proceeds before 31 December 2019; (ii) the Group will be able to successfully persuade contractors not to insist on repayment of the construction cost payables before the Group receives the proceeds from CNPC. During the year, the Group obtained a new RMB100 million banking facilities. Taking into account the above measures, 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 2018.

There is an uncertainty related to the outcomes of the above events or conditions that may cast doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. 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 net realisable value, 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.

(d) Functional and presentation currency

The consolidated 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 2018

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of new and amended standards and interpretation of HKFRS does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group's accounting policies, except the impacts of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" as described below.

A. HKFRS 9 — Financial Instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39. The impacts related to the classification and measurement and the impairment requirements are summarised as follows:

(i) Classification and measurement of financial instruments

The adoption of HKFRS 9 has no significant impact on the classification and measurement of the Group's financial assets and financial liabilities.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECL**") model". HKFRS 9 requires the Group to recognise ECL for trade receivables, financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current financial year.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of accumulated losses as of 1 January 2018 as follows:

	HK$'000
Accumulated losses	
Accumulated losses as at 31 December 2017	(1,087,114)
Recognition of additional ECL on:	
— Other receivables	(21,367)
Restated accumulated losses as at 1 January 2018	(1,108,481)

B. HKFRS 15 — Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue.

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

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 Effective for annual periods beginning on or after 1 January 2019

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have significant impact on the Group's result of operations and financial positions.

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, Production and Distribution of Natural Gas segment is engaged in the exploration, development, production and sales of natural gas and the usage of pipeline for distribution of natural gas.

The Sales of Food and Beverages Business segment is engaged in the sales of food and beverages.

The Money Lending Business segment is engaged in provision of loans to third parties.

The segment information provided to the Board for the reportable segments for the years ended 31 December 2018 and 2017 are as follows:

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

	Exploration, Production and Distribution of Natural Gas *HK$'000*	Sales of Food and Beverages Business *HK$'000*	Money Lending Business *HK$'000*	Total *HK$'000*
For the year ended 31 December 2018				
Disaggregated by timing of revenue recognition				
Point in time	**477,784**	**–**	**–**	**477,784**
Over time	**–**	**–**	**5**	**5**
Revenue from external customers	**477,784**	**–**	**5**	**477,789**
Reportable segment profit/(loss) before income tax	**163,523**	**(1,990)**	**(241)**	**161,292**
Segment results included:				
Interest income	**23**	**–**	**–**	**23**
Interest expense	**(1,496)**	**–**	**–**	**(1,496)**
Depreciation of property, plant and equipment	**(3,532)**	**(245)**	**–**	**(3,777)**
Impairment and amortisation of intangible assets	**(212,727)**	**–**	**–**	**(212,727)**
Impairment of exploration and evaluation assets	**(36,000)**	**–**	**–**	**(36,000)**
Impairment of goodwill	**(1,151)**	**–**	**–**	**(1,151)**
Income tax expense	**(111,041)**	**–**	**–**	**(111,041)**
Deferred tax liabilities	**(11,649)**	**–**	**–**	**(11,649)**
Additions to non-current assets	**162,452**	**–**	**–**	**162,452**
Reportable segment assets	**2,198,733**	**11,370**	**20**	**2,210,123**
Reportable segment liabilities	**(662,637)**	**(90)**	**–**	**(662,727)**

	Exploration, Production and Distribution of Natural Gas *HK$'000*	Sales of Food and Beverages Business *HK$'000*	Money Lending Business *HK$'000*	Total *HK$'000*
For the year ended 31 December 2017				
Disaggregated by timing of revenue recognition				
Point in time	12,630	–	–	12,630
Over time	–	–	409	409
Revenue from external customers	12,630	–	409	13,039
Reportable segment (loss)/profit before income tax	(216,136)	(1,939)	207	(217,868)
Segment results included:				
Interest income	5	16	–	21
Interest expense	(552)	–	–	(552)
Depreciation of property, plant and equipment	(2,485)	(245)	–	(2,730)
Impairment of intangible assets	(162,000)	–	–	(162,000)
Impairment of exploration and evaluation assets	(39,000)	–	–	(39,000)
Impairment of goodwill	(6,000)	–	–	(6,000)
Income tax credit	6,774	–	–	6,774
Deferred tax assets	99,673	–	–	99,673
Additions to non-current assets	630	–	–	630
Reportable segment assets	2,041,921	31,924	20	2,073,865
Reportable segment liabilities	(506,373)	(46)	–	(506,419)

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

	2018 ***HK$'000***	2017 *HK$'000*
Profit/(loss) before income tax		
Reportable segment profit/(loss) before income tax	**161,292**	(217,868)
Other income	**19,765**	236
Fair value (loss)/gain of financial assets at fair value through profit or loss	**(13,064)**	15,678
Fair value loss of investment properties	**(10,849)**	–
Finance costs	**(6,978)**	(6,450)
Unallocated head office and corporate expenses	**(11,937)**	(33,223)
Profit/(loss) before income tax	**138,229**	(241,627)

	2018	2017
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**2,210,123**	2,073,865
Property, plant and equipment	**474**	–
Investment properties	**57,600**	–
Other receivables, deposits and prepayments	**28,866**	64,553
Financial assets at fair value through profit or loss	**61,476**	74,540
Cash and bank balances	**53,034**	136,521
Total assets	**2,411,573**	2,349,479

	2018	2017
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**662,727**	506,419
Convertible notes	**71,467**	64,489
Amount due to a shareholder	**39,363**	40,402
Other payables and accruals	**3,357**	36,929
Total liabilities	**776,914**	648,239

(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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**5**	409	**58,959**	2,063
PRC	**477,784**	12,630	**1,749,722**	1,922,865
	477,789	13,039	**1,808,681**	1,924,928

4. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**43**	25
Exchange gain, net	**256**	49
Dividend income from financial assets at fair value through profit or loss	**228**	325
Reversal of expected credit losses	**6,268**	–
Gain on disposal of subsidiary	**12,697**	–
Others	**641**	–
	20,133	399

5. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank loan	**919**	–
Interest on convertible notes	**6,978**	6,450
Interest on other payables	**577**	552
	8,474	7,002

6. PROFIT/(LOSS) BEFORE INCOME TAX

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	**925**	1,070
Staff costs (including directors' remuneration)		
— Wages and salaries and other benefits	**14,895**	11,238
— Pension fund contributions	**69**	61
	14,964	11,299
Reversal of expected credit losses	**(6,268)**	–

7. INCOME TAX (EXPENSE)/CREDIT

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

	2018	2017
	HK$'000	*HK$'000*
Current tax		
— tax for the year	**(152)**	(6)
Deferred tax		
— origination and reversal of temporary difference	**(110,889)**	6,780
Total income tax (expense)/credit	**(111,041)**	6,774

No provision for Hong Kong profits tax has been made as the Group did not have assessable profit (2017: Nil).

PRC enterprise income tax is calculated at 25% on the estimated assessable profit for the year (2017: Nil).

8. DIVIDEND

The board of directors of the Company did not recommend any payment of dividend during the year (2017: Nil).

9. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) attributable to owners of the Company	**27,544**	(235,510)
	Number of shares	*Number of shares*
Weighted average number of ordinary shares in issue	**9,505,344,000**	9,505,344,000
	HK Cents	*HK Cents*
Basic earnings/(loss) per share	**0.29**	(2.48)

(b) Diluted

The calculation of the diluted earnings per share attributable to the owners of the Company during the year is based on the following data:

	2018
	HK$'000
Profit attributable to owners of the Company	**27,544**
Adjustments for interest on convertible notes	**6,978**
Profit attributable to owners of the Company for the purpose of diluted earnings per share	**34,522**
	Number of shares
Weighted average number of ordinary shares in issue	**9,505,344,000**
Effect of dilutive potential ordinary shares on convertible notes	**4,045,654,761**
Weighted average number of ordinary shares for diluted earnings per share	**13,550,998,761**
	HK Cents
Diluted earnings per share	**0.25**

For the year ended 31 December 2017, diluted loss per share is the same as basic loss per share as the potential ordinary shares on convertible notes are anti-dilutive.

10. INVESTMENT PROPERTIES

	2018	2017
	HK$'000	*HK$'000*
Cost		
At 1 January	**–**	–
Additions	**68,449**	–
Change in fair value	**(10,849)**	–
At 31 December	**57,600**	–

The fair value of the Group's investment properties at 31 December 2018 have been arrived at on market value basis carried out by APAC Asset Valuation and Consulting Limited ("**APAC**"), an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued.

11. EXPLORATION AND EVALUATION ASSETS

During the year ended 31 December 2018, the Group incurred exploration and evaluation cost of approximately HK$162,326,000 (2017: Nil). Provision for impairment loss of HK$36,000,000 (2017: HK$39,000,000) was recognised in profit or loss as the carrying amount of the related cash-generating unit exceeds its recoverable amount.

12. INTANGIBLE ASSETS

	2018	2017
	HK$'000	*HK$'000*
Cost		
At 1 January	**2,849,785**	2,656,579
Exchange differences	**(120,754)**	193,206
At 31 December	**2,729,031**	2,849,785
Accumulated impairment		
At 1 January	**1,326,273**	1,085,339
Amortisation	**117,727**	–
Impairment loss *(note)*	**95,000**	162,000
Exchange differences	**(60,223)**	78,934
At 31 December	**1,478,777**	1,326,273
Carrying amount		
At 31 December	**1,250,254**	1,523,512

The intangible assets represent the interests in the Petroleum Contract which were amortised on unit of production method. No amortisation was provided for the year ended 31 December 2017.

Note:

Impairment loss of intangible assets in the amounts of HK$95,000,000 (2017: HK$162,000,000) was recognised during the year ended 31 December 2018 as the carrying amount of the cash-generating unit for the exploration and production of natural gas business (the "**Kashi Project**") exceeds its recoverable amount. The recoverable amount of the cash-generating unit for the Kashi Project was HK$1,726,000,000 (2017: HK$1,894,000,000) based on value in use calculation and by reference to the valuation report produced by APAC.

The pre-tax discount rate used for value in use calculations is 19.5% (2017: 23.1%) for the year ended 31 December 2018.

13. ACCOUNT RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Sales of natural gas *(note)*	**439,739**	–
Loan and interest receivables		
— money lending business	**–**	–
— others	**37,100**	37,100
	476,839	37,100
Less: Expected credit loss	**(37,243)**	(37,100)
	439,596	–

Note: Account receivables represent the receivables recognised under the production sharing contract with CNPC for the Group's operation in Kashi, the PRC. The Group recognised the revenue in relation to this operation during the current period. The entire balance of account receivables as at 31 December 2018 are not yet past due. The Group did not hold any collateral over the balance.

Account receivables are non–interest–bearing and pledged to secure the bank borrowings of the Group *(note 14)*.

14. BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Secured bank borrowings — current	**65,931**	–

The bank borrowings are denominated in RMB, charged at floating interest rates and pledged by the account receivables of the Group *(note 13)*. The effective interest rate for the year ended 31 December 2018 is 6.98% per annum.

15. LITIGATION

Reference is made to the Company's announcements (a) dated 16 September 2013 in relation to media reports about Mr. Wang Guoju; (b) dated 7 June 2015 in relation to charges against Mr. Wang Guoju for illegal operation crime involving allegations about improper conduct during the obtaining of the Petroleum Contract (the "**Illegal Operation Charge**"); (c) dated 17 June 2015 in relation to the commencement of the Litigation in the Grand Court of the Cayman islands (the "**Cayman Court**") against (inter alia) the Defendants (including Mr. Wang Guoju and UK Prolific) with the view to obtaining Cayman Court's order to have the Totalbuild Transaction declared void or rescinded and have damages awarded to the Company; (d) dated 25 June 2015 in relation to the obtaining by the Company of the Injunction Order from the Cayman Court restraining the Defendants from disposing of, transferring, dealing in, diminishing the value of or exercising voting rights in respect of 1.86 billion issued Shares (the "**Restrained Shares**"), and restraining the Defendants from converting convertible bonds representing 13,366,190,476 underlying Shares (the "**Restrained CBs**"); (e) dated 18 August 2015 in relation to the continuation of the Injunction Order against the Company's undertaking not to issue or deal with additional Shares or securities without leave of the Cayman Court until the conclusion of the trial relating to the Litigation or further order by the Cayman Court (the "**Company's Undertaking**"); and (f) dated 6 December 2017 in relation to the signing of the Supplemental Contract between the Group and CNPC to extend the First Phase exploration period by way of supplement and amendment to the original Petroleum Contract. Unless the context otherwise requires, capitalized terms used in this section shall have the same meanings as defined in the said announcements.

As disclosed in the Company's announcement dated 27 December 2017, following the signing of the Supplemental Contract with CNPC on 6 December 2017, the Company was informed by Mr. Wang Guoju and his legal representative that the Illegal Operation Charge against Mr. Wang Guoju was acquitted. On that basis and after taking legal advice from the Company's legal advisers, the Company has on 27 December 2017 reached settlement with the Defendants pursuant to which the Company will apply to the Cayman Court for discontinuance of the Litigation, as a result of which the Injunction Order and the Company's Undertaking would be discharged.

As disclosed in the Company's announcement dated 23 May 2018, on 10 May 2018, a Consent Order was granted by the Cayman Court regarding the discontinuation of the Litigation and the discharge of the Injunction Order and the Company's Undertaking, such that the Defendants should no longer be restrained in respect of the Restrained Shares and the Restrained CBs and the Company should no longer be restrained from issuing or dealing with additional Shares or securities in the Company.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these 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.

Basis for Disclaimer of Opinion

1. Revenue recognition

Included in the consolidated statement of comprehensive income for the year ended 31 December 2018 is revenue in the amount of HK$466,880,000 related to the following sales of natural gas. As disclosed in note 5(iv) to the consolidated financial statements, the Group has recognised revenue from the sales of natural gas arising from its interests in a petroleum contract during the exploration and evaluation period from 2009 to 2018. The petroleum contract was entered between a subsidiary of the Company and China National Petroleum Corporation ("**CNPC**") in relation to a project for the drilling, exploration, exploitation and production of oil and natural gas in North Kashi Block, Tarim Basin in the People's Republic of China (the "**Project**"). During the year ended 31 December 2018, the Group recognised the sales of natural gas related to the gas delivered during and before year 2018 for the Project as the Company's directors considered that based on their discussions with counterparty and information available to them during the year, the conditions for revenue recognition were met during the year. The directors provided us information available to them and represented that they had agreed with the counterparty the terms of the sales of natural gas delivered during and before year 2018 and both parties agreed to formalise these agreed terms of sales of natural gas by entering into agreements. However, up to the date of this report, the properly executed agreements are yet available to us.

There were no other satisfactory audit procedures that we could adopt to obtain sufficient audit evidence to corroborate with the aforesaid representation from the directors. As a result, we were unable to determine whether the revenue was recognised in accordance with Hong Kong Financial Reporting Standard 15 *Revenue from Contracts with Customers*. Reversal of the revenue and corresponding account receivable would reduce the Group's net assets as at 31 December 2018 and its net profits after tax for the year then ended, and affect the elements making up the consolidated statement of changes in equity and the consolidated statement of cash flows.

2. *Impairment of intangible assets and exploration and evaluation assets*

Included in the consolidated statement of financial position as at 31 December 2018 are intangible assets and exploration and evaluation assets with carrying amounts of HK$1,250,254,000 and HK$474,224,000 respectively (collectively referred to as the "**Assets**"). As disclosed in Notes 17 and 18 to the consolidated financial statements, the intangible assets represent interests in the Project. Exploration and evaluation assets represent costs directly associated with exploratory wells (drilling cost and others) that are capitalised.

As detailed in Note 18 to the consolidated financial statements, as at 31 December 2018, an impairment assessment was carried out by the directors of the Company on the Assets. The assessment indicated the carrying amounts of the intangible assets and exploration and evaluation assets exceeded the recoverable amount of the cash-generating unit (the "**CGU**") to which these assets were assigned. Accordingly, impairment losses of HK$95,000,000 and HK$36,000,000 were recognised for the year ended 31 December 2018 on intangible assets and exploration and evaluation assets respectively. The recoverable amount of the intangible assets and exploration and evaluation assets has been determined by the directors based on the CGU's value in use . The cash flows estimation in the value in use calculation was based on certain assumptions including the estimated future selling price and the estimated volume of gas to be extracted. In the value in use calculation, the directors also assumed the Overall Development Program ("**ODP**") would be submitted to the relevant government authority before 31 December 2019, the development stage and commercial production of the Project will start after the submission of the ODP.

Given the Project has been delayed for a number of years, it indicates the existence of a material uncertainty as to when the commercial production can be started. The directors were unable to provide us with sufficient supporting documents to support the reasonableness of the above assumptions underlying the value in use calculation.

There were no other satisfactory audit procedures that we could adopt to assess the reasonableness of the assumptions in the impairment assessment. As a result, we were unable to determine whether the recoverable amounts and impairment provisions of the Assets were appropriately stated. Any adjustments to the carrying amounts of the Assets would have a consequential effect on the Group's financial position as at 31 December 2018 and on its financial performance for the year then ended, and the elements making up the consolidated statement of changes in equity and the consolidated statement of cash flows.

We encountered similar limitation of scope during the course of audit of the Group's consolidated financial statements for the year ended 31 December 2017 (the "**Group's 2017 Consolidated Financial Statements**"). Together with the matter detailed in our audit report dated 28 March 2018, we did not express an opinion on the Group's 2017 Consolidated Financial Statements. Such unresolved limitation of scope brought forward from last year has possible effect on the comparability of the current year's figures and the corresponding figures.

3. Uncertainties relating to going concern

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) CNPC will pay the proceeds from sales of natural gas related to prior years (the "**Proceeds**") before 31 December 2019; and (ii) the Group will be able to successfully persuade the contractors not to insist on repayment of the construction cost payables before the Company receives the Proceeds from CNPC.

However, the Company has not obtained any written confirmation that CNPC will pay the Proceeds before 31 December 2019 and the contractors will not insist on payment of the construction cost payables until the Company receives the Proceeds from CNPC.

There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Group can continue as a going concern. Accordingly, we were unable to determine whether it is appropriate for the consolidated financial statements for the year ended 31 December 2018 prepared on a going concern basis. 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 net realisable amount, 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.

The directors of the Company also have prepared the Group's 2017 Consolidated Financial Statements on a going concern basis. In our audit on the Group's 2017 Consolidated Financial Statements, we were unable to obtain sufficient appropriate audit evidence to assess the reasonableness of the application of the going concern basis and among other matters that exist in last year, and did not express an opinion in the report.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

During the year, the Group recorded a revenue in the amount of approximately HK$477,789,000 (2017: HK$13,039,000). The Group's revenue was principally derived from the exploration, production and distribution of natural gas segment of approximately HK$477,784,000 (2017: HK$12,630,000). During the year, the money lending business segment only contributed revenue of approximately HK$5,000 (2017: HK$409,000). The sales of food and beverages segment did not contribute any revenue to the Group (2017: Nil).

The Group recorded a profit attributable to the owners of the Company in the amount of approximately HK$27,544,000, compared to a loss of approximately HK$235,510,000 during last year. It was mainly due to the revenue recognition of natural gas sales under the Group's Kashi Project during the year. Earnings per share attributable to the owners of the Company was 0.29 HK cents (2017: loss per share of 2.48 HK cents).

Business Review

Exploration, Production and Distribution of Natural Gas Segment

The Petroleum Contract

The Company's indirectly wholly-owned subsidiary, China Era Energy Power Investment (Hong Kong) Limited ("**China Era**") entered into a petroleum contract with CNPC for the drilling, exploration, development and production of oil and/or natural gas within the specified site located in North Kashi Block, Tarim Basin, Xinjiang, PRC (the "**Petroleum Contract**"). The term of the Petroleum Contract is for a term of 30 years commencing 1 June 2009.

Under the Petroleum Contract, China Era shall apply its appropriate and advanced technology and management expertise and assign its competent experts to perform exploration, development, and production of oil and/or natural gas within the site. In the event that any oil field and/or gas field is discovered within the site, the development costs shall be borne by CNPC and China Era in the proportion of 51% and 49%, respectively.

According to the Petroleum Contract, the exploration period covers 6 years. The managements have devoted much of its resources during the exploration period in exploration and research studies. In March 2015, China Era issued formal application to CNPC to apply for a two-year extension of the exploration period of Kashi Project beyond the original deadline of 31 May 2015. On 6 December 2017, China Era and CNPC entered into a supplemental and amendment contract to the Petroleum Contract (the "**Supplemental Contract**") extending the First Phase exploration period to 5 December 2017 (i.e. the day immediately preceding the date of the Supplemental Contract). The terms of the Supplemental Contract further provided that (inter alia): (1) China Era has satisfied the investment commitment in respect of the First Phase exploration period; (2) The Petroleum Contract shall proceed to the Second Phase exploration period on the effective date of the Supplemental Contract of 6 December 2017; and (3) the costs incurred by CNPC on Kashi Project between 1 June 2009 and 5 December 2017 shall be aggregated with the pre-contract costs incurred by CNPC on the project. The costs incurred between 1 June 2009 and 31 December 2015 was in the amount of approximately

RMB651,653,000 (mainly including three completed wells, reconstruction of natural gas processing plant and the operating costs incurred during the period), and the costs incurred by CNPC between 1 January 2016 and 5 December 2017 shall be confirmed by both parties within 12 months after the effective date of the Supplemental Contract. During the year, the cost incurred by CNPC between 1 January 2016 and 31 December 2017 in the amount of approximately RMB94,042,000 was confirmed. All the costs incurred by CNPC shall be recovered in kind out of the crude oil/natural gas produced from any oil/gas field inside the cooperation site. Save as the changes expressly stated in the Supplemental Contract, the other terms and conditions of the Petroleum Contract shall remain unchanged.

No development and production activity were carried out under the Petroleum Contract, as the pilot production during the exploration stage is not regarded as production activities.

The Status of Overall Development Program

In December 2018, the Overall Development Program ("**ODP**") has been approved by CNPC internally and entered into the final preparation stage. During the year, the Company and CNPC were given to understand from National Development and Reform Commission ("**NDRC**") that the ODP approval requirement formerly imposed on the Kashi Project (being an oil and gas sino-foreign cooperation) will be relaxed. The cancellation of ODP approval requirement was formally announced by the State Council of the PRC under its circular No.6 of 2019 (國發[2019]6號) on 27 February 2019. Before the announcement by the State Council, the development period of any oil/gas field will start from the date of the completion of the ODP, which 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. Under the new regime, the ODP approval is no longer required and will be replaced by a filing system. We are still waiting to see the implementation procedures regarding the new ODP filing system. The directors expect the progress of Kashi Project will be expedited by the new procedures, and the development period should start immediately after the ODP finalisation and filing.

The Status of Gas Sales Agreements

As at 31 December 2018, the directors are still negotiating the Gas Sales Agreements ("**GSA**") with CNPC and expect that the negotiation will finalise and proceed to the signing of the formal GSA in the year 2019. The terms of the GSA include the quantity of volume commitments, gas quality, price terms, delivery obligations and delivery point, etc. As at the date of this announcement, most of the commercial terms of the GSA have reached the stage of in-principle consensus. Although the GSA has not been signed up to the date of this announcement, China Era has reached in-principle consensus with CNPC on the volume and price of the natural gas pilot production since project commencement up to 31 December 2018. The revenue of approximately HK$466,880,000 recorded by the Group during the year ended 31 December 2018. Up to the date of this announcement, the Group has received settlement from CNPC in the amount of approximately HK$83,449,000 and the directors of the Company expect that CNPC will settle the remaining account receivables within the year of 2019.

Segment Performance

During the year, this operation together with the natural gas distribution operation in Karamany, Xinjiang contributes revenue of approximately HK$477,784,000 (2017: HK$12,630,000) and the segment profit before income tax was approximately HK$163,523,000 (2017: loss before income tax HK$216,136,000). Impairment losses on intangible assets and exploration and evaluation assets in the amounts of HK$95,000,000 (2017: HK$162,000,000) and HK$36,000,000 (2017: HK$39,000,000) respectively were recognised during the current year as the carrying amounts of the intangible assets and exploration and evaluation assets of the Kashi Project exceeds the recoverable amount. The recoverable amount was determined with reference to the valuation report produced by APAC.

The results of operations in exploration, production and distribution of natural gas segment and costs incurred for exploration and evaluation assets acquisition and exploration activities are shown as below:

(a) *Results of operations in exploration, production, and distribution of natural gas segment*

	2018	2017
	HK$'000	*HK$'000*
Revenue	**477,784**	12,630
Cost of inventories sold	**(6,466)**	(6,793)
Other income	**368**	147
Selling and distribution expenses	**(24,520)**	–
Operating expenses	**(28,737)**	(12,083)
Depreciation	**(3,532)**	(2,485)
Impairment of exploration and evaluation assets	**(36,000)**	(39,000)
Impairment and amortisation of intangible assets	**(212,727)**	(162,000)
Impairment of goodwill	**(1,151)**	(6,000)
Finance cost	**(1,496)**	(552)
Results of operations before income tax	**163,523**	(216,136)

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

	2018	2017
	HK$'000	*HK$'000*
Exploration cost	**162,326**	–

Information of Gross Contingent Resources on Oil and Gas Field

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 is no material change of assumption as compared with previous disclosed in the Competent Person's Report, except for the delay in the production schedules due to the delay in the ODP finalisation and the signing of the GSA.

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 2017 and 1 January 2018	47.4	11,453
Pilot-production activity during the year	–	(120)
As at 31 December 2018	47.4	11,333

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; (ii) the ODP is still to be filed; and (iii) the field is situated in a remote location.

Sales of Food and Beverages Business

The Group did not record any revenue from the sales of food and beverages business segment in 2018 and 2017. The segment loss before tax was approximately HK$1,990,000 (2017: HK$1,939,000). No revenue was recorded during the year, mainly due to the Group's intention to reduce reliance on sales of food and beverage. We will continue to keep track of the economic environment and review the future allocation of resource as and when required.

Money Lending Business

During the year, the Group generated revenue from the money lending business operated by its indirect wholly owned subsidiary, Zhong Neng Finance Ltd., a licensed money lender under the Money Lenders Ordinance (Cap.163, Laws of Hong Kong) of approximately HK$5,000 (2017: HK$409,000). The segment loss before tax was approximately HK$241,000 (2017: profit before tax of HK$207,000). The Group continued to adopt a stringent credit policy to mitigate the credit risk arising from the money lending business, resulting in a decrease in the revenue when compared to last year.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 31 December 2018, the Group had outstanding secured bank borrowings of approximately HK$65,931,000 (2017: Nil). The cash and cash equivalents of the Group were approximately HK$68,084,000 (2017: HK$171,926,000). The Group's current ratio (current assets to current liabilities) was approximately 109.6% (2017: 55.7%). The ratio of total liabilities to total assets of the Group was approximately 32.2% (2017: 27.6%).

As at 31 December 2018, 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 but in May 2018, a Consent Order was granted by the Cayman Court regarding the discontinuation of the litigation, as disclosed in the section headed "Litigation" in this announcement.

Charge of Assets

Account receivables in the amount of approximately HK$439,596,000 as at 31 December 2018 were pledged as security for bank borrowings (2017: Nil).

Exchange Exposure

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

Capital Commitments

The Group had capital commitments of approximately HK$104,834,000 and HK$118,650,000 as at 31 December 2018 (2017: HK$141,254,000 and HK$123,900,000) in respect of exploration and evaluation expenditure and capital contributions in a subsidiary respectively.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2018 and 2017.

Employee Information

As at 31 December 2018, the Group had a total workforce of 41 (2017: 35). The Group remunerates its employees based on their work performance, working experiences, professional qualifications and the prevailing market practice.

EVENTS AFTER THE REPORTING PERIOD

On 20 March 2019, the Group entered into a loan agreement (the "**Loan Agreement**") with the controller of a substantial shareholder of the Company (the "**Lender**") regarding the continual provision of a loan facility of up to HK$45 million by the Lender to the Company a 5% per annum, 3-year loan facility. Under the Loan Agreement, interest shall start to accrue with effect from 1 January 2019, and the lender reserves the overriding right to demand early repayment.

The Lender, being the controller of a substantial shareholder of the Company, is a connected person of the Company as defined under the Listing Rules. The Directors (including the independent non-executive Directors) noted that the terms of the Loan Agreement were determined after arm's length negotiations between the Company and the Lender and are of the view that the terms of the Loan Agreement are normal commercial terms or better from the Company's perspective, are fair and reasonable and in the interests of the Group and substantial shareholder as a whole. Accordingly, the Loan Agreement is fully exempt from all disclosure, annual review, circular and shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

PROSPECTS

Exploration, Production and Distribution of Natural Gas

Subsequent to the signing of the Supplemental Contract to extend the exploration period and the settlement of the Litigation with the vendors of Kashi Project, significant progresses were made on Kashi Project during the first half of 2018, including the obtaining of a new RMB100 million banking facilities secured by the account receivable under the Petroleum Contact, the final preparation of the ODP filing and the final negotiation of GSA. Further details of the business update on the Kashi Project are disclosed in the Company's announcement dated 23 August 2018. In December 2018, the ODP has been approved by CNPC internally.

The project details and key milestones for the Kashi Project were disclosed in the Company's circular dated 3 December 2010. In essence, the Petroleum Contract covers an exploration period of up to six years (which was already extended by CNPC pursuant to the Supplemental Contract), a development period and a production period. The development period shall commence on the date of ODP filing/approval and end on the date of the completion of the development operations required by the ODP to be completed during the development period. The end of the development period also signifies the commencement of the commercial production of the project and hence the production period, which runs for fifteen years for an oil field and twenty years for a gas field (subject to extension with the approval of the government). Further announcement(s) will be made by the Company regarding the implementation timetable of such development operations as and when the ODP is submitted for filing and when there is any significant progress of the Kashi Project.

The Company's management will continue to follow up with CNPC with the view to expediting the ODP filing and GSA finalisation and signing thereby accelerating the commencement of commercial production of Kashi Project, and continue to follow up with potential lenders and investors with the view to secure additional debt and/or equity funding.

Sales of Food and Beverages Business

The management has taken a cautious approach to manage the operations of the food and beverages segment. The Group will assess the value and performance of this segment from time to time, and continue to keep track of the economic environment and review the future allocation of resources as and when required.

Money Lending Business

The Group established this new segment in the second half of 2015. The management will continue to look for high quality borrowers in order to minimise the risk of default. The management has taken a cautious approach in money lending business in view of the Group's current financial position.

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 2018.

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 2018, the Group has complied with the code provisions set out in the CG Code except for the following:

a. In relation to A.2.1 of the CG Code, the roles of chairman and Chief Executive Officer (the "**CEO**") should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and CEO should be clearly established and set out in writing. During the year, Mr. Zhao Guoqiang is the CEO of the Company. During the year, the position of chairman is vacated and the Board intends to identify satisfiable candidate to fill the vacancy.

b. In relation to 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.

c. In relation to A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should also attend general meetings. At the annual general meeting of the Company held on 31 May 2018, two independent non-executive directors and one non-executive director were absent due to other business engagements.

d In relation to E.1.2 of the CG Code, the chairman of the Board should attend the AGM. During the year, the position of chairman is vacated and the Board intends to identify satisfiable candidate to fill the vacancy.

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. All incumbent directors have confirmed that they have complied with the required standard set out in the Model Code through the year under review.

AUDIT COMMITTEE

During the year and up to the date of this announcement, members of the Audit Committee included:

Mr. Lee Man Tai *(Chairman of Audit Committee)*
Dr. Gu Quan Rong
Mr. Zong Ketao
Mr. Cheng Chun Ying
Ms. Ngan Mei Ying *(resigned on 31 October 2018)*

As at the date of this announcement, the audit committee comprises one non-executive director and three independent non-executive directors of the Company. The audit committee has adopted terms of reference which are in line with the CG Code. The Group's audited consolidated financial statements for year ended 31 December 2018 have been reviewed by the audit committee, who is of the opinion that such statements complied with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the announcement of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2018 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 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 2018 annual report of the Company for the year ended 31 December 2018 will be dispatched to shareholders and made available on the above websites in due course.

FORWARD LOOKING STATEMENTS

There is no assurance that any forward-looking statements regarding the business development of the Group set out in this announcement or any of the matters set out therein are attainable, will actually occur or will be realised or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice form professional advisors.

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

Hong Kong, 29 March 2019

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