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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

INTERIM RESULTS

The Board of Directors (the "Board") of China Energy Development Holdings Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 (the "Interim Period") together with comparative figures as follows. These interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	Unaudited Six months ended 30 June 2008 HK$'000	2007 HK$'000 (Restated)
Turnover		**165,051**	121,498
Other income	4	**2,695**	5,124
Cost of inventories consumed		**(73,019)**	(35,120)
Staff costs		**(55,775)**	(48,839)
Operating lease rentals		**(15,538)**	(14,959)
Depreciation		**(5,055)**	(3,203)
Fuel costs and utility expenses		**(10,624)**	(10,539)
Other operating expenses		**(26,648)**	(21,032)
Change in fair value of financial assets at fair value		**(2,455)**	—
Loss from operations	5	**(21,368)**	(7,070)
Share of result of associates		—	(1,606)
Finance costs		**(450)**	(55)
Loss before taxation		**(21,818)**	(8,731)
Taxation	6	—	—
Loss for the period attributable to equity holders of the Company		**(21,818)**	(8,731)
Interim dividend	7	—	—
Loss per share			
— Basic		**(0.72 cents)**	(0.30 cents)
— Diluted	8	**N/A**	N/A

* *for identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2008

	Notes	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**116,155**	111,317
Rental deposits and other deposits		**10,498**	9,464
Goodwill		**284,272**	284,272
		410,925	405,053
Current assets			
Inventories		**6,596**	6,700
Trade receivables	9	**15,198**	1,106
Prepayments, deposits and other receivables		**29,371**	40,687
Other current financial assets		**33,085**	37,022
Refundable deposits		**20,725**	20,725
Cash and bank balances		**396,932**	370,513
		501,907	476,753
Total assets		**912,832**	881,806
EQUITY			
Share capital		**151,195**	151,195
Reserves		**556,201**	566,869
Attributable to equity holders of the Company		**707,396**	718,064
Minority interests		**753**	753
Total equity		**708,149**	718,817
LIABILITIES			
Non-current liabilities			
Bank loans-unsecured		**48,544**	26,913
Deferred tax liabilities		**130**	130
Provision for long service payments		**900**	900
		49,574	27,943

	Notes	**30 June 2008 (Unaudited) *HK$'000***	31 December 2007 (Audited) *HK$'000*
Current liabilities			
Trade payables	*10*	**49,935**	14,971
Other payables and accruals		**49,842**	83,700
Amount due to a related company		**26,481**	33,291
Bank loans-unsecured		**28,851**	3,084
		155,109	135,046
Total liabilities		**204,683**	162,989
Total equity and liabilities		**912,832**	881,806
Net current assets		**346,798**	341,707
Total assets less current liabilities		**757,723**	746,760

Notes:

1. Basis of Preparation

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007 ("2007 Annual Report").

2. Principal Accounting Policies

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the 2007 Annual Report except for the adoption of the following new/revised Hong Kong Financial Reporting Standards, HKASs and Interpretation (collectively the "new HKFRSs") issued by the HKICPA that are mandatory for accounting periods beginning 1 January 2008.

HK(IFRIC) — Int 11	HKFRS 2 — Group and treasury share transactions
HK(IFRIC) — Int 12	Service concession arrangements
HK(IFRIC) — Int 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these new HKFRSs had no material financial effect on the Group's results and financial position for the current or prior accounting periods. Accordingly, no prior adjustment has been recognized.

The Group has not early adopted the following new/revised HKFRSs that have been issued but are not yet effective for the accounting period beginning on 1 January 2008. The directors of the Company are in the process of making an assessment of the impact of these new/revised HKFRSs to the Group's results of operations and financial position in the period of initial application.

		Effective for annual periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 1 and HKAS 32 (Amendment)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKFRS 2 (Amendment)	Share-based payment-vesting conditions and cancellation	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) — Int 13	Customer loyalty programmes	1 July 2008

3. Segment Information

(a) Business segments

For management purposes, the Group is currently organised into two operating business segments namely Chinese restaurants and natural gas business. These business segments are the basis on which the Group reports its primary segment information. Principal activities are as follows:

(i) Chinese restaurants — operating a chain of Chinese restaurants

(ii) Natural gas business — sourcing , storage, processing and transmission and sale of natural gas

The following tables provide an analysis of the Group's turnover and results by business segments:

Six months ended 30 June 2008

	Chinese restaurants (Unaudited) *HK$'000*	**Natural gas business (Unaudited)** *HK$'000*	**Consolidated (Unaudited)** *HK$'000*
Turnover	**121,372**	**43,679**	**165,051**
Segment results	**3,882**	**(4,719)**	**(837)**
Unallocated expenses			**(23,059)**
Interest income			**2,528**
Interest expenses			**(450)**
			(21,818)
Taxation			**—**
Loss for the period			**(21,818)**

Six months ended 30 June 2007

	Chinese restaurants (Unaudited) *HK$'000*	Natural gas business (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Turnover	121,498	—	121,498
Segment results	6,950	(5,425)	1,525
Unallocated expenses			(15,138)
Interest income			4,937
Interest expenses			(55)
			(8,731)
Taxation			—
Loss for the period			(8,731)

(b) Geographical segments

The Group's two divisions operate in two principal geographical areas — Hong Kong and Macau.

The following table provides an analysis of the Group's revenue by geographical markets:

	Hong Kong		**Macau**		**Total**	
	30 June 2008 (Unaudited)	30 June 2007 (Unaudited)	**30 June 2008 (Unaudited)**	30 June 2007 (Unaudited)	**30 June 2008 (Unaudited)**	30 June 2007 (Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**121,372**	121,498	**43,679**	—	**165,051**	121,498

4. Other Income

An analysis of the Group's other income is as follows:

	Unaudited Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
Other income		
Bank interests income	**2,528**	4,937
Rental income, gross	**148**	155
Sundry income	**19**	32
	2,695	5,124

5. Loss from Operations

Loss from operating activities is arrived at after charging:

	Unaudited Six months ended 30 June **2008** ***HK$'000***	 2007 *HK$'000*
Cost of inventories consumed	**73,019**	35,120
Depreciation	**5,055**	3,203
Staff costs (including directors' remuneration):		
Wages and salaries and other staff benefits	**46,717**	39,850
Pension scheme contributions	**1,758**	1,689
Share-based payments to directors and employees	**7,300**	7,300
	55,775	48,839
Operating lease payment on leased premises:		
Related companies	**1,680**	1,430
Third parties	**13,858**	13,529
	15,538	14,959
Change in fair value of financial assets at fair value	**2,455**	—
Share-based payments to consultants	**3,850**	3,850

6. Taxation

No provision for Hong Kong profits tax and Macau complementary income tax has been made as the Group had no assessable profits derived from Hong Kong and Macau during the current period (2007: Nil).

7. Interim Dividend

The Board of Directors does not recommend the payment of interim dividend for the six months ended 30 June 2008 (2007: Nil).

8. Loss per share

The calculation of basic loss per share is based on the unaudited condensed consolidated loss from ordinary activities attributable to shareholders for the six months ended 30 June 2008 of HK$21,818,000 (2007: loss of HK$8,731,000) and the weighted average of 3,023,900,000 (2007: 2,878,154,144) shares in issue during the period.

Diluted loss per share for the period ended 30 June 2008 and 2007 have not been presented as the effect of any dilution is anti-dilutive.

9. Trade Receivables

Customers are usually offered a credit period ranging from one to three months. An ageing analysis of trade receivables after provision as at the balance sheet date is as follows:

	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
Current to 3 months	**15,154**	1,062
Over 1 year	**44**	44
	15,198	1,106

10. Trade Payables

The ageing analysis of the trade payables of the Group as at the balance sheet date is as follows:

	30 June 2008 (Unaudited) *HK$'000*	31 December 2007 (Audited) *HK$'000*
Current to 3 months	**46,049**	11,085
Over 6 months	**3,886**	3,886
	49,935	14,971

11. Comparative Figure

The Group's share of the post-acquisition results of its jointly controlled entity is included in the consolidated income statement for the period ended 30 June 2008. Due to the change in the accounting policy, the interests in jointly controlled entity are accounted for by proportionate consolidation. Share of jointly controlled entity's individual income and expenses, assets and liabilities are combined in the Group's financial statements on a line-by-line basis. The condensed consolidated financial statements of last corresponding period have been restated to conform with current period's presentation.

12. Post Balance Sheet Events

On 31 July 2008, the Group and the vendor executed the Deed of termination regarding the major transaction relating to acquisitions of 51% equity interests in Target Companies and the vendor will return the refundable deposit of RMB20 million (or Hong Kong dollars equivalent) to the Group. Details of the information were contained in the Company's announcement dated 30 June 2008 and 31 July 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Restaurants Business

Our restaurant business continues to face a challenging market environment. The turnover of the Group's restaurants, which amounted to approximately HK$121,372,000 in the six months ended 30 June 2008, decreased slightly as compared HK$121,498,000 in the six months ended 30 June 2007. The increase in rental expenses, labour costs, material costs and fuel costs result in a segmental profit decreased to HK$3,882,000 for the six months period ended 30 June 2008, representing a decrease of 44% from HK$6,950,000 in the corresponding period of 2007. We maintained the existing operating scale in the past six months as we were operating against the odds. Escalating rental for shops, growing staff costs, as well as rising oil and commodities prices were adding cost pressure to us.

Natural Gas Business

The Group, through its wholly owned subsidiary, Macau Natural Gas Company Limited ("MNG"), holds a joint-venture natural gas company in Macau, namely, Sinosky Energy (Holdings) Company Limited ("Sinosky") to operated piped natural gas business.

Sinosky had commenced business of natural gas supply and the 2008 financial year marked the first financial year of operations of the Natural gas business. For the period under review, turnover and net loss were HK$43,679,000 (2007: Nil) and HK$4,719,000 (2007: HK$5,425,000) respectively.

Operating Results

For the six months ended 30 June 2008, the Group recorded a turnover of approximately HK$165,051,000 (30 June 2007: HK$121,498,000), representing a growth of 36% over the corresponding period of last year. Net loss of the Group was approximately HK$21,818,000 (2007: HK$8,731,000) and loss per share was HK$0.72 cents (2007: HK$0.30 cents).

The turnover of the Group's restaurants business was approximately HK$121,372,000 (2007: HK$121,498,000) and accounted for 74% of the Group's total turnover, representing a decrease of 0.1% over the corresponding period of last year. The gross profit margin was retained intact and the operating costs increased with an increase in the staff costs and rental expenses. The intense competitive in the Chinese restaurants and the higher operating costs had resulted the drop in the profit from this business segment.

The turnover and net loss of the Group's natural gas business were approximately HK$43,679,000 (2007: Nil) and HK$4,719,000 (2007: HK$5,425,000) respectively.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 30 June 2008, the Group had outstanding bank borrowings denominated in Hong Kong dollars and Macau Pataca with an aggregate amount HK$77,395,000 (31 December 2007: HK$29,997,000). The cash and bank balances of the Group amounted to HK$396,932,000 (31 December 2007: HK$370,513,000).

The short-term borrowings of the Group accounted for 37.3% (31 December 2007: 10.3%) of the total borrowings at 30 June 2008.

The interest expenses of the Group for the current period were HK$450,000 (30 June 2007: HK$55,000).

As at 30 June 2008, the ratio of total liabilities to total assets of the Group was 22.4% (31 December 2007: 18.5%). The Group's current ratio (current assets to current liabilities) was approximately 3.2 (31 December 2007: 3.5) and the Group's gearing ratio (total interest-bearing borrowings to total assets) was approximately 8.5% (31 December 2007: 3.4%).

Pledge of Assets

As at 30 June 2008 and 31 December 2007, there were no leasehold land and buildings and investment properties of the Group pledged as security for bank loans.

Exchange Exposure

It is the Group's policy for its operating entities to operate in their corresponding local currencies to minimize currency risks. The Group's principal businesses are conducted and recorded in Hong Kong dollars and Macau Pataca. As the impact from foreign exchange exposure is minimal, no hedging against foreign currency exposure is necessary.

Capital Commitments

As at 30 June 2008 and 31 December 2007, neither the Group nor the Company had any capital commitment. Depending on the future development of the liquefied natural gas ("LNG") business of Sinosky, additional funding, the amount of which cannot be ascertained at present, may be required and it is expected Sinosky may carry out project financing on its own for investment in its LNG business if necessary. The expected capital investments by Sinosky on LNG business to be approximately MOP8,000 million (equivalent to approximately HK$7,760 million) and it is expected that approximately of 80% of the capital investments to be financed by Sinosky's level project financing in form of loan facility while the remaining 20% to be financed by the shareholders of Sinosky.

Contingent Liabilities

As at 30 June 2008, except for the corporate guarantee given by the Company in support of banking facilities granted to a subsidiary and the corporate guarantee for operating lease commitment of a wholly-owned subsidiary, the Company has no other significant contingent liabilities.

Employee Information

As at 30 June 2008, the Group had a total workforce of 570 (30 June 2007: 517). The Group remunerates its employees based on their work performance, working experiences, professional qualifications and the prevailing market practice.

PROSPECTS

Chinese Restaurant Business

After a prolonged period of robust economic growth, the Hong Kong economy faces as the inflation continues, with food costs standing high and economic growth is slowing down, our Chinese restaurants is still fraught with challenges. The management considers that the operating environment of Chinese restaurant business is vulnerable. The Group will take a very cautious but optimistic approach to manage its Chinese restaurant operation. As the restaurant business is capable to maintain self-sufficiency financially, the Group will not inject significant financial resources into the business segment. We will maintain the existing operation scale of our Chinese restaurant business and implement a tighter costs control in the near future.

Natural Gas Business

Environmental protection is one of the major concerns of the People's Republic of China ("PRC"), Hong Kong and Macau governments. It is generally perceived that coal-fired electricity power plants are a significant source of air pollution and wastage in the Southern China region. According to the 11th Five-Year National Economic and Social Development Plan issued by the State Council of the PRC, certain small-scale coal-fired electricity power plants will be required to be gradually closed down or modified to reduce pollutants emitted to air. Natural gas, which burns more efficient and cleaner than coal, appears to be a very fine substitute and complement to coal. The popularity of and demand for natural gas is growing substantially in Southern China.

According to expert's projections, the proportion of natural gas consumption in China's total non-renewable energy consumption will increase to approximately 6.0% (amounting to 110 to 120 billion cubic meters) in 2010 and further increase to approximately 10.0% in 2020, and by then the demand for natural gas will be 210 to 230 billion cubic meters. This represents a growth that is significantly higher than that of coal and petroleum. Meanwhile, the construction of LNG storage and transmission facilities will become the focus of this rapid growth in consumption demand for natural gas. Being the best clean energy in the 21st century, natural gas is rising as a major energy used by urban dwellers as well as industrial and commercial enterprises.

The management is very confident about the future development of the LNG project of MNG. The confidence is built on the fact that the project is one of the very few similar projects in Southern China that have obtained all required concessions, permits and approvals from all relevant official authorities. The strong background of MNG's joint venture partner also adds ample competitive edge to the natural gas business of Sinosky. The Group will allocate sufficient resources to the natural gas business in the near future.

With more effort made in the development of natural gas, the continuous perfection of transmission pipelines facilities as well as strong support from the government policy, the use of natural gas will become more popular and the prospect of the Group's natural gas business will be brighter.

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 six months ended 30 June 2008.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance in fulfilling its responsibilities to shareholders.

The Stock Exchange has promulgated the Code on Corporate Governance Practices (the "CG Code") which came into effect in January, 2005. Throughout the six months ended 30 June 2008 the Group has complied itself with all the code provision of the CG Code except that:

- Under A4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Under the period of review, all independent non-executive directors of the Company were not appointed for a specific term but they are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the provisions of the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

- Under A4.2 of the CG Code, all directors should be subject to retirement by rotation at least once every three years. Pursuant to the Company's Articles of Association, the chairman shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. In order to ensure the smooth running and continuous adhering to the strategic view of the Company, the Company believes that the position of chairman is more practical to be maintained and not to be subject to retirement by rotation.

- Under A3 and B1.1 of the CG Code and Rule 3.10(1) of the Listing Rules, every board of directors of the Company must include at least three independent non-executive directors and the Term of Reference for Remuneration Committee of the Company. The number of independent non-executive directors of the Company has fallen below the minimum number requirement due to the retirement of Mr. Zhong Yuan as the independent non-executive Director with effect from 13 June 2008. Despite the effort made during the period, the Board yet cannot find a right person to fill the vacancy. The Board will continue to make every effort to look for an appropriate person to meet such requirement as soon as possible in order to comply with the rule requirement.

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 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 period under review.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the Code. The Group's unaudited financial statements for the six months ended 30 June 2008 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standards, the Listing Rules and other legal requirements, and that adequate disclosures have been made.

PUBLICATION OF THE INTERIM RESULTS AND REPORT

This interim results announcement is published on the Stock Exchange's website (http://hkexnews.hk) and the Company's website (http://chinaenergy.etnet.com.hk). The interim report of the Company for 2008 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
Tong Seak Kan
Chairman and Executive Director

19 September 2008

As at the date of this announcement, the Board of the Company comprises Mr. Tong Seak Kan, Mr. Yim Chi Keung, Mr. Chan Shi Yung, Mr. Chui Kwong Kau, Mr. Chan Wai Keung, Mr. Chang Kuo Tien and Mr. Wang Xiang Jun as executive directors; and Mr. Chang Kin Man, Mr. Ip Wing Lun as independent non-executive directors.