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: 00228)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

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 2010 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 STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		Unaudited six months ended 30 June	
		2010	2009
	Notes	***HK$'000***	*HK$'000*
Turnover	*4*	**50,153**	112,332
Other income	*4*	**2,032**	4,521
Cost of inventories consumed		**(18,804)**	(31,698)
Staff costs		**(17,457)**	(42,624)
Operating lease rentals		**(8,191)**	(16,630)
Depreciation of property, plant and equipment		**(370)**	(2,511)
Fuel costs and utility expenses		**(3,562)**	(9,377)
Fair value (loss)/gain of financial assets held for trading		**(16,965)**	10,005
Other operating expenses		**(7,293)**	(15,581)
(Loss)/profit before taxation	*5*	**(20,457)**	8,437
Taxation	*6*	**—**	—
(Loss)/profit and total comprehensive income for the period		**(20,457)**	8,437
(Loss)/profit and total comprehensive income attributable to:			
Owners of the Company		**(20,457)**	8,437
Minority interests		**—**	—
		(20,457)	8,437
(Loss)/earnings per share			
— Basic and diluted (HK cents)	8	**(0.49)**	0.28

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	Unaudited 30 June 2010 HK$'000	Audited 31 December 2009 HK$'000
Non-current assets			
Property, plant and equipment		**2,302**	2,618
Rental deposits and other deposits		**5,782**	5,393
Deposits for acquisition		**704,000**	445,000
		712,084	453,011
Current assets			
Inventories		**4,886**	4,707
Trade receivables	*9*	**460**	369
Financial assets held for trading		**24,492**	49,405
Other receivables, deposits and prepayments		**73,536**	112,973
Loan receivables		**33,100**	57,100
Amounts due from related companies	*10*	**2,526**	2,709
Tax recoverable		**429**	429
Cash and cash at banks		**125,827**	11,476
		265,256	239,168
Total assets		**977,340**	692,179
Equity			
Share capital		**217,684**	181,434
Reserves		**718,504**	457,306
Attributable to owners of the Company		**936,188**	638,740
Minority interests		**753**	753
Total equity		**936,941**	639,493
Non-current liabilities			
Deferred tax liabilities		**53**	53
Provision for long service payments		**184**	184
		237	237
Current liabilities			
Trade payables	*11*	**6,522**	7,696
Other payables and accruals		**15,942**	27,055
Amount due to a related company	*12*	**17,698**	17,698
		40,162	52,449
Total liabilities		**40,399**	52,686
Total equity and liabilities		**977,340**	692,179
Net current assets		**225,094**	186,719
Total assets less current liabilities		**937,178**	639,730

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 2009 ("2009 Annual Report").

2. **Principal accounting policies**

The accounting policies adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the 2009 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 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Interpretation 17	Distributions of Non-cash Assets to Owners

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 2010. 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.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 [1]
HKAS 24 (Revised)	Related Party Disclosures [1]
HKAS 32 (Amendment)	Classification of Rights Issues [2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [3]
HKFRS 9	Financial Instruments [4]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement [1]
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments [3]

[1] Effective for annual periods beginning on or after 1 January 2011
[2] Effective for annual periods beginning on or after 1 February 2010
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2013

3. Segment information

The Group determines its operating segment 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 organization and reporting structure, the operating segments are based on nature of business.

During the six months period of 2010 and 2009, there was no operating segment information to be presented as the Group has only one reportable operating segment during the periods. The principal activities of the Group comprise mainly operating Chinese restaurants in Hong Kong.

4. Turnover and other income

Turnover represents revenue generated from sales of food and beverages from Chinese restaurants operation, is analysed as follows:

	Unaudited six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
Turnover		
Sales of food and beverages	**50,153**	112,332
Other income		
Bank interest income	**3**	3
Interest income from other loans	**2,005**	4,261
Rental income, gross	**15**	125
Sundry income	**9**	132
	2,032	4,521

5. (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after crediting and charging:

	Unaudited six months ended 30 June			
	2010		2009	
	HK$'000		*HK$'000*	
Fair value loss/(gain) of financial assets held for trading		**16,965**		(10,005)
Cost of inventories consumed		**18,804**		31,698
Depreciation of property, plant and equipment		**370**		2,511
Staff costs (including directors' remuneration):				
Wages and salaries and other staff benefits	**16,825**		40,914	
Pension scheme contributions	**632**		1,710	
		17,457		42,624
Operating lease payment on leased premises:				
Related companies	**2,040**		1,740	
Third parties	**6,151**		14,890	
		8,191		16,630

6. Taxation

No provision for Hong Kong profits tax has been made as the Group had tax losses brought forward to setoff the assessable profits for the period (2009: Nil).

7. Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2010 (2009: Nil).

8. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to the owners of the Company is based on the following data:

	Unaudited six months ended 30 June	
	2010	2009
	HK$'000	*HK$'000*
(Loss)/earnings per share for the period attributable to owners of the Company	**(20,457)**	8,437
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**4,145,392,707**	3,023,900,000

No diluted (loss)/earnings per share for both periods are presented as the Company has no potential dilutive ordinary shares at 30 June 2010 and 2009.

9. Trade receivables

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

	Unaudited 30 June 2010	Audited 31 December 2009
	HK$'000	*HK$'000*
Current to 3 months	**416**	325
Over 1 year	**44**	44
	460	369

10. Amounts due from related companies

Amounts due from related companies in which directors of certain subsidiaries of the Company have held beneficial interests. These amounts are unsecured, interest free and are repayable on demand.

	Unaudited 30 June 2010	Audited 31 December 2009
	HK$'000	*HK$'000*
Current to 3 months	**2,526**	2,709
	2,526	2,709

11. Trade payables

The ageing analysis of the trade payables of the Group is as follows:

	Unaudited 30 June 2010 *HK$'000*	Audited 31 December 2009 *HK$'000*
Current to 3 months	**3,576**	4,750
Over 6 months	**2,946**	2,946
	6,522	7,696

12. Amount due to a related company

Amount due to a related company is unsecured, interest free and repayable on demand.

13. Major acquisition

Very substantial acquisition

On 22 January 2009, the Company entered into the conditional sale and purchase agreement with the Totalbuild Investments Holdings Group Limited (the "Vendor"), Mr. Wang Guoju ("Mr Wang") (as a guarantor for the Vendor) and China Era Energy Power Investment (Hong Kong) Limited ("China Era Energy") (as a guarantor for the Vendor) in respect of the acquisition of: (i) the entire issued share capital of Totalbuild Investments Group (Hong Kong) Limited ("Totalbuild Investments") (the "Target Company"), Totalbuild Investments indirectly holds the entire issued share capital of China Era Energy, for an aggregate consideration of not less than HK$2 billion and not more than HK$10 billion (subject to valuation); and (ii) the Sale Loan, representing all amounts (whether principal, interest or otherwise) which any member of the Target Group owes to the Vendor as at the Completion Date on a dollar-for-dollar basis.

As at 30 June 2010, the acquisition has not been completed. The Company has agreed to pay refundable deposits in total of HK$845 million and has already paid refundable deposits of HK$199 million and HK$505 million to the Vendor and China Era Energy at the date of this announcement respectively. The balance of refundable deposits amount to HK$141 million will be paid on or before 31 July 2010 or such later date as the Vendor and the Company may agree in writing.

Details of information were set out in the Company's announcements dated on 4 February 2009, 25 February 2009, 29 June 2009, 30 July 2009, 12 October, 2009, 31 December 2009, 30 April 2010, 13 July 2010 and 16 July 2010.

14. Post balance sheet event

On 23 July 2010, Hon Po International Ltd (the "Vendor I") and Hon Po Management Ltd (the "Vendor II"), wholly-owned subsidiaries of the Company, entered into the Disposal Agreement with the Speedy Fortune Limited, (the "Purchaser"), whereby the Purchaser has agreed to acquire the entire issued ordinary shares of Metropolis Harbour View Chinese Cuisine Limited (the "Disposed Company") and the shareholders' loan owed by the Disposed Company to the Vendor I for an aggregate consideration of HK$4,410,105 (the "Disposal").

The Disposal has not been completed and subject to the approval of the Shareholders at the extraordinary general meeting on 30 August 2010. Details of information were set out in the Company's announcements dated on 23 July 2010 and 26 July 2010 and the Company's circular dated on 13 August 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

During the six months period under review, the Group recorded a turnover of the Chinese restaurants business of approximately HK$50,153,000 (2009: HK$112,332,000), representing a decrease of 55.4% as compared to the corresponding period in 2009. The significant decline in turnover was because the Group disposed three Chinese restaurants in July 2009.

The Group recorded a loss for the six months period attributable to the owners of the Company of approximately HK$20,457,000, compared to a profit of approximately HK$8,437,000 to the corresponding period in 2009. The loss was mainly attributable to the substantial loss of HK$16,965,000 from the fair value of financial assets held for trading, compared to the profit of HK$10,005,000 for the corresponding period in 2009. Loss per share attributable to the owners of the Company was 0.49 HK cents (2009: earning of 0.28 HK cents).

Business Review

During the period, the Group continues to face the challenging market environment. Due to the disposal of three Chinese restaurants in July 2009, the turnover of the Chinese restaurants business has significant decreased comparing to the last period.

On 23 July 2010, the Company's subsidiaries entered into the Disposal Agreement with Speedy Fortune Limited, whereby the Purchaser has agreed to purchase the Sale Shares of the Disposed Company and the shareholders' loan owed by the Disposed Company to the Vendor I for an aggregate consideration of HK$4,410,105. Having considered that the loss making position of this Chinese restaurant for the financial year of 2008 and 2009, the Board considers (i) the Disposal would provide a good opportunity for the Group to discontinue the business of this Chinese restaurant and will enable the Group to avoid any further losses that will possibly be incurred by the Disposal Company in view of the uncertain operating environment in Hong Kong; (ii) it enables the Group to focus its resources in the remaining profit making Chinese restaurant; (iii) the Disposal would also provide additional cash and allow the Group to redeploy its resources to other investment opportunities and (iv) no further capital injection will be required for the Disposed Company. The Board is therefore of the opinion that the Disposal represents a good opportunity for the Company to dispose the Disposed Company.

Following the Disposal, the Group will continue to operate one Chinese restaurant and the Group has no intention to cease the operation of this Chinese restaurant after the Disposal. Accordingly, the Company will continue to have a sufficient level of operations following the Disposal to maintain its listing status.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 30 June 2010, the Group had no outstanding interest-bearing borrowings (31 December 2009: Nil). The cash and cash equivalents of the Group were approximately HK$125,827,000 (31 December 2009: HK$11,476,000).

As at 30 June 2010, The Group's current ratio (current assets to current liabilities) was approximately 6.6 (31 December 2009: 4.6). The ratio of total liabilities to total assets of the Group was 4.1% (31 December 2009: 7.6%).

On 28 January 2010, the Company entered into a placing agreement with Kingston Securities Limited (the "Placing Agent"), pursuant to which the Placing Agent procured, on a best-effort basis, the placing of 725,000,000 new shares at HK$0.45 per placing share. The placing of new shares has been completed on 22 February 2010. The net proceeds from the placing of new shares amounted to approximately HK$317.9 million. Details of information were set out in the Company's announcements dated on 28 January 2010 and 22 February 2010.

Charge of Assets

None of the assets of the Group were pledged as security for any banking facilities and borrowings as at 30 June 2010 and 31 December 2009.

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 had an insignificant exchange risk exposure under review since the principal businesses was conducted and recorded in Hong Kong dollars during the period.

Capital Commitments

The Group had no material capital commitments as at 30 June 2010 and 31 December 2009.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2010 and 31 December 2009.

Employee Information

As at 30 June 2010, the Group had a total workforce of 186 (30 June 2009: 485). The Group remunerates its employees based on their work performance, working experiences, professional qualifications and the prevailing market practice.

Prospects

Chinese Restaurant Business

It is expected that the Chinese restaurant business will continue to face challenging business environment, the Group will take a very cautious approach to manage its Chinese restaurant operation and implement a tighter costs control in the near future.

Natural Resource Industries

The Group diversified its business into natural resources and have been seeking investment opportunities from time to time to broader the Group's sources of income.

On 22 January 2009, the Company entered into the conditional sale and purchase agreement with the Vendor, Mr. Wang and China Era Energy in respect of the acquisition of: (i) the entire issued share capital of Totalbuild Investments which indirectly holds the entire issued share capital of China Era Energy, for an aggregate consideration of not less than HK$2 billion and not more than HK$10 billion (subject to valuation); and (ii) the Sale Loan, representing all amounts (whether principal, interest or otherwise) which any member of the Target Group owes to the Vendor as at the Completion Date on a dollar-for-dollar basis.

Totalbuild Investments is principally engaged in investment holding. China Era Energy has entered into the Petroleum Contract with China National Petroleum Corporation (the "CNPC") where the Petroleum Contract was approved by the Ministry of Commerce of the People's Republic of China (the "PRC") on 24 April 2009 and was implemented on 1 June 2009. China Era Energy and CNPC shall have the right in drilling, exploration, exploitation and production of oil and/or natural gas within the area of site located at North Kashi Block, Tarim Basin, the PRC (the "Site").

The Petroleum Contract was entered into between China Era Energy and CNPC on 22 December 2008 whereby China Era Energy and CNPC agree to cooperate in exploration, development and production of oil and/or natural gas that may exist within the area of the Site. The term of the Petroleum Contract is for a term of 30 years commencing from the date when the Petroleum Contract becomes effective. Under the Petroleum Contract, China Era Energy shall provide funds, 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 area of the Site.

In view of the prospect relating to natural resources, the Group believes that the Acquisition will be a successful strategy for the Company's business and is an attractive investment opportunity for the Group. The Board is of the view that, upon the completion of this acquisition, the income stream of the Company will be broadened.

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 2010.

Corporate Governance Practices

The Company is committed to maintain good corporate governance standard and procedures.

The Stock Exchange has promulgated the Code on Corporate Governance Practices (the "CG Code"). Throughout the six months ended 30 June 2010, the Group has complied itself with all the code provision of the Code except for the following:

Pursuant to A2.1 of the CG Code which states that the role of the Chairman and Chief Executive Officer (the "CEO") should be separated and should not be performed by the same individual. Up to the date of this announcement, the Chairman of the Board is vacated and Mr. Zhao Guoqiang was elected as the CEO.

Pursuant to 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 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.

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 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 unaudited financial statements for the six months ended 30 June 2010 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://www.hkexnews.hk) and the Company's website (http://www.cnenergy.com.hk). The interim report of the Company for 2010 containing all information required by the Listing Rules will be dispatched to Shareholders and made available on the above websites in due course.

By Order of the Board
China Energy Development Holdings Limited
Chui Kwong Kau
Executive Director

Hong Kong, 26 August 2010

As at the date of this announcement, the board of directors of the Company comprises Mr. Zhao Guoqiang, Mr. Chan Shi Yung, Mr. Chui Kwong Kau, Mr. Liu Baohe, Mr. Zhang Zhenming and Mr. Huang Changbi as executive directors; and Mr. Fu Wing Kwok, Ewing, Mr. Yin Guohui and Ms. Zhang Wei as independent non-executive directors.