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

(incorporated in the Cayman Islands with limited liability)

(Stock code: 00228)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 2011 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 2011

		Unaudited six months ended 30 June	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**36,080**	50,153
Other income	*4*	**5,217**	2,032
Cost of inventories consumed		**(18,654)**	(18,804)
Staff costs		**(16,055)**	(17,457)
Operating lease rentals		**(5,318)**	(8,191)
Depreciation of property, plant and equipment		**(762)**	(370)
Impairment loss on other receivables, deposits and prepayment	*17*	**(8,375)**	–
Impairment loss on loan receivables	*17*	**(37,100)**	–
Fuel costs and utility expenses		**(1,921)**	(3,562)
Fair value loss of financial assets held for trading		**(4,163)**	(16,965)
Other operating expenses		**(7,657)**	(7,293)
Finance costs	*14*	**(5,455)**	–
Loss before taxation	*5*	**(64,163)**	(20,457)
Taxation	*6*	**2,080**	–
Loss for the period		**(62,083)**	(20,457)

* *for identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2011

		Unaudited six months ended 30 June	
		2011	2010
	Notes	***HK$'000***	*HK$'000*
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**(2,611)**	–
Other comprehensive income for the period		**(2,611)**	–
Total comprehensive income for the period		**(64,694)**	(20,457)
Loss for the period attributable to:			
Owners of the Company		**(62,083)**	(20,457)
Non-controlling interests		**–**	–
		(62,083)	(20,457)
Total comprehensive income attributable to:			
Owners of the Company		**(64,694)**	(20,457)
Non-controlling interests		**–**	–
		(64,694)	(20,457)
Loss per share			
– Basic *(HK cents)*	*8*	**(0.96)**	(0.49)
– Diluted *(HK cents)*		**(0.96)**	(0.49)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	**Unaudited 30 June 2011** ***HK$'000***	Audited 31 December 2010 *HK$'000*
Non-current assets			
Property, plant and equipment	*9*	**582,175**	1,337
Intangible assets	*10*	**2,940,519**	–
Rental deposits and other deposits		**1,174**	1,174
Deposits for acquisition	*16*	**–**	804,000
Deferred tax assets		**73,382**	–
		3,597,250	806,511
Current assets			
Inventories		**6,066**	5,516
Trade receivables	*11*	**77**	41
Financial assets held for trading		**9,246**	29,677
Other receivables, deposits and prepayments		**41,679**	47,575
Loan receivables		**14,841**	51,941
Amounts due from related companies		**11,118**	12,450
Tax recoverable		**54**	54
Cash and bank balances		**554,843**	4,674
		637,924	151,928
Current liabilities			
Trade payables	*12*	**6,947**	8,159
Other payables and accruals		**575,961**	30,132
Amount due to a related company		**13,828**	13,598
Provision for legal claims	*13*	**5,000**	–
		601,736	51,889

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2011

	Notes	Unaudited 30 June 2011 HK$'000	Audited 31 December 2010 HK$'000
Net current assets		**36,188**	100,039
Total assets less current liabilities		**3,633,438**	906,550
Non-current liabilities			
Convertible notes	*14*	**102,770**	–
Other payable		**50,000**	–
Deferred tax liabilities		**53**	53
Provision for long service payments		**86**	86
		152,909	139
Net Assets		**3,480,529**	906,411
Equity			
Share capital	*15*	**346,306**	217,684
Reserves		**3,133,470**	687,974
Attributable to owners of the Company		**3,479,776**	905,658
Non-controlling interests		**753**	753
Total Equity		**3,480,529**	906,411

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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").

2. Principal accounting policies

These unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2010. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2010 with addition for the following amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which have become effective.

HKFRS 1 (Amendments)	Improvements of HKFRSs issued in 2010
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendment)	Prepayment of a Minimum Funding Requirement

The adoption of the new and revised HKFRSs had no material impact on the unaudited condensed consolidated financial statements of the Group for the current and prior accounting period.

The Group has not early adopted the new and revised standards, amendments and interpretations that have been issued but are not yet effective.

2. Principal accounting policies (Continued)

The Group is in the process of assessing the potential impact of the new HKFRSs but is not yet in a position to determine whether the new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. The new HKFRSs may result in change in the future as to how the results and financial position are prepared and presented.

In addition, the Group has acquired certain subsidiaries which have entered into production sharing contracts for the exploration, development and production of petroleum in Kashi, the People's Republic of China ("PRC"). These production sharing contracts constitute jointly controlled operations. The Group's interests in production sharing contracts are accounted for in the consolidated financial statements on the following bases:

i) The assets that the Group controls and the liabilities that the Group incurs; and

ii) The share of expenses that the Group incurs and its share of income from the production according to the terms stipulated in these contracts.

3. Turnover and segment information

During the period, the Group acquired certain subsidiary, which are engaged in exploration and production of natural gas, as detailed in note 16.

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.

The Group has two reportable segments: Exploration and Production of natural gas and Restaurant Business.

The Exploration and Production segment is engaged in the exploration, development, production and sales of natural gas.

The Restaurant Business segment is engaged in the operation of Chinese restaurants.

3. **Turnover and segment information (Continued)**

The segment information provided to the Board for the reportable segments for the six months ended 30 June 2011 and 2010 are as follows:

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

	Exploration and Production *HK$'000*	**Restaurant Business** *HK$'000*	**Total** *HK$'000*
For the six months ended 30 June 2011			
Revenue from external customers	–	36,080	36,080
Reportable segment (loss)/profit before tax expenses	(5,329)	553	(4,776)
Segment results included:			
Interest income	235	–	235
Depreciation	474	264	738
Expenditures for reportable segment non-current assets	3,515,584	48	3,515,632
Reportable segment assets	4,119,855	23,441	4,143,296
Reportable segment liabilities	(507,831)	(28,436)	(536,267)
Net assets/(liabilities)	3,612,024	(4,995)	3,607,029

3. Turnover and segment information (Continued)

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

	Exploration and Production	Restaurant Business	Total
	HK$'000	*HK$'000*	*HK$'000*
For the six months ended 30 June 2010			
Revenue from external customers	–	50,153	50,153
Reportable segment loss before tax expenses	–	(466)	(466)
Segment results included:			
Interest income	–	–	–
Depreciation	–	345	345
Expenditures for reportable segment non-current assets	–	54	54
Reportable segment assets	–	21,811	21,811
Reportable segment liabilities	–	(35,325)	(35,325)
Net liabilities	–	(13,514)	(13,514)

3. Turnover and segment information (Continued)

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

Loss before tax expenses	Unaudited six months ended 30 June **2011** *HK$'000*	2010 *HK$'000*
Reportable segment loss before tax expenses	**(4,776)**	(466)
Interest income	**694**	2,008
Other income	**12**	–
Impairment on other receivables, deposits and prepayment	**(8,375)**	–
Impairment on loan receivables	**(37,100)**	–
Fair value loss of financial assets held for trading	**(4,163)**	(16,965)
Finance costs	**(5,455)**	–
Unallocated head office and corporate expenses	**(5,000)**	(5,034)
Loss before tax expenses	**(64,163)**	(20,457)

Assets	**Unaudited 30 June 2011** *HK$'000*	Unaudited 30 June 2010 *HK$'000*
Reportable segment assets	**4,143,296**	21,811
Deposits for acquisition	**–**	704,000
Financial assets held for trading	**9,246**	24,492
Loan receivables	**14,841**	33,100
Other receivables	**39,103**	72,103
Unallocated head office and corporate assets	**28,688**	121,834
Total assets	**4,235,174**	977,340

Liabilities	**Unaudited 30 June 2011** *HK$'000*	Unaudited 30 June 2010 *HK$'000*
Reportable segment liabilities	**536,267**	35,325
Convertible notes	**102,770**	–
Unallocated head office and corporate liabilities	**115,608**	5,074
Total liabilities	**754,645**	40,399

4. Other income

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Bank interest income	**235**	3
Exchange gain	**4,271**	–
Interest income from other loans	**694**	2,005
Rental income	**15**	15
Sundry income	**2**	9
	5,217	2,032

5. Loss before taxation

Loss before taxation is arrived at after crediting and charging:

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Cost of inventories consumed	**18,654**	18,804
Depreciation of property, plant and equipment	**762**	370
Staff costs (including directors' remuneration):		
Wages and salaries and other staff benefits	**15,636**	16,825
Retirement scheme contributions	**419**	632
	16,055	17,457
Operating lease payment on leased premises:		
Related companies	**2,177**	2,040
Third parties	**3,141**	6,151
	5,318	8,191

6. Taxation

No provision for the Hong Kong profits tax and the PRC Enterprise Income Tax has been made as the Group had no assessable profits for the period (2010: Nil).

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Deferred tax	**2,080**	–

7. Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2011 (2010: Nil).

8. Loss per share

(a) Basic

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

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Loss attributable to owners of the Company	**62,083**	20,457
	Number of shares	*Number of shares*
Weighted average number of ordinary shares in issue	**6,439,749,614**	4,145,392,707
	HK Cents	*HK Cents*
Basic loss per share	**0.96**	0.49

8. Loss per share (Continued)

(b) Diluted

No diluted loss per share for six months period ended 30 June 2011 is presented as the potential ordinary shares on convertible notes are anti-dilutive.

No diluted loss per share for the six months period ended 30 June 2010 is presented as the Company has no potential dilutive ordinary shares at 30 June 2010.

9. Property, plant and equipment

During the six months ended 30 June 2011, the Group acquired property, plant and equipment, excluding the oil and gas properties as discussed below, at cost of HK$9,637,000 (2010: HK$174,000).

Oil and gas properties

During the period, certain oil and gas properties at cost of HK$565,476,000 were acquired as a result of the acquisition of subsidiaries as detailed in note 16.

The successful efforts method of accounting is used for oil and gas exploration and production activities. Under this method, all costs for development wells, support equipment and facilities, and proved mineral interests in oil and gas properties are capitalised. Geological and geophysical costs are expensed when incurred. Costs of exploratory wells are capitalised as construction in progress pending determination of whether the wells find proved oil and gas reserves. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Exploratory wells in areas not requiring major capital expenditure are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and subject to impairment review. For exploratory wells that are found to have economically viable reserves in areas where major capital expenditure will be required before production can commence, the related well costs remain capitalised only if additional drilling is underway or firmly planned. Otherwise the related well costs are expensed as dry holes. The Group does not have any significant costs of unproved properties capitalised in oil and gas properties.

The cost of oil and gas properties is amortised at the field level based on the unit of production method. Unit of production rates are based on oil and gas reserves estimated to be recoverable from existing facilities based on the current terms of the Group's production licenses. The Group's oil and gas reserves estimates include only crude oil and condensate and natural gas which management believes can be reasonably produced within the current terms of these production licenses.

10. Intangible assets

Intangible assets acquired separately are initially recognized at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses.

During the six months period ended 30 June 2011, the interest in the petroleum production sharing contract acquired in relation to the acquisition of subsidiaries as detailed in note 16 was recognized as intangible assets at costs of HK$2,940,519,000. The interests in petroleum production sharing contract was amortised on unit of production method. No amortization was provided in the current period.

11. 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 2011 *HK$'000*	Audited 31 December 2010 *HK$'000*
Current to 3 months	**77**	41

12. Trade payables

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

	Unaudited 30 June 2011 *HK$'000*	Audited 31 December 2010 *HK$'000*
Current to 3 months	**4,001**	5,213
Over 1 year	**2,946**	2,946
	6,947	8,159

13. Provision for legal claims

On 1 April 2009, Sican Petroleum Plc ("the Plaintiff") issued a Writ of Summons against China Era Energy Power Investment (Hong Kong) Limited ("China Era") and several other parties (collectively called "the Defendants") claiming an interest in the petroleum contract awarded to China Era and its cooperation partner in PRC on 22 December 2008 for exploration and development of the oil and gas blocks in Xinjiang Province, the PRC, pursuant to an agreement dated 18 May 2007 allegedly entered into between the Plaintiff and the China Era.

According to the legal opinion issued by the legal counsel, it is estimated that the amount of damages liable by the Defendants would not exceed HK$5 million. The Group has provided for the potential damages of HK$5 million as of 30 June 2011.

14. Convertible notes

Pursuant to the acquisition of subsidiaries as detailed in note 16, the Company issued Tranche 1 zero coupon convertible notes with principal amount of HK$2,558,000,000 with maturity date falling 30 years from the date of issue on 3 January 2011.

The convertible notes do not bear any interest and are freely transferable, provided that where the convertible bonds are intended to be transferred to a connected person (as defined in the Listing Rules) of the Group (other than the associates of the bondholder) such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange, if any.

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

14. Convertible notes (Continued)

The fair values of the liability component and the equity component were determined at the issuance of the convertible notes. The fair value of the liability component, included in the non-current liabilities, was calculated using a market interest rate of equivalent non-convertible notes. The effective interest rate of the liabilities component is 11% and the interest expenses will be charged to income statement over the loan periods. The equity component of the convertible notes, representing the difference of the fair value of the convertible notes and the fair value of the liabilities component, was included in the owner's equity and denoted as convertible notes reserves.

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

	Carrying amount		
	Liability component	**Equity component**	**Principal amount**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2010, 31 December 2010 and 1 January 2011	–	–	–
Issued during the period	117,316	2,618,811	2,558,000
Converted into ordinary shares during the period	(20,001)	(442,444)	(432,170)
Interest expenses	5,455	–	–
At 30 June 2011	102,770	2,176,367	2,125,830

15. Share capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.05 each		
Authorised:		
At 31 December 2010 and 30 June 2011	25,000,000,000	1,250,000
Issued and fully paid:		
At 31 December 2010	4,353,680,000	217,684
Issue of shares upon conversion of convertible notes *(Note)*	2,572,440,000	128,622
At 30 June 2011	6,926,120,000	346,306

Note:

On 5 January 2011, the convertible notes in the principal amount of HK$312,480,000 were converted into fully paid shares at an conversion price of HK$0.168 per share, 1,860,000,000 shares were issued upon conversion.

On 17 March 2011, the convertible notes in the principal amount of HK$8,400,000 were converted into fully paid shares at an conversion price of HK$0.168 per share, 50,000,000 shares were issued upon conversion.

On 27 April 2011, the convertible notes in the principal amount of HK$111,289,920 were converted into fully paid shares at an conversion price of HK$0.168 per share, 662,440,000 shares were issued upon conversion.

16. Acquisition of subsidiaries

On 22 January 2009, the Company, Totalbuild Investments Holdings Group Limited ("the Vendor"), Mr. Wang Guoju, as guarantor for the Vendor, China Era, as a guarantor for the Vendor, entered into the agreement ("the Agreement") in relation to proposed acquisition of 100% equity interest in the Totalbuild Investments Group (Hong Kong) Limited ("Totalbuild Investments"). Totalbuild Investments holds the entire issued share capital of China Era which has entered into the petroleum contract with CNPC in relation to the drilling, exploration, exploitation and production of oil and/or natural gas from the site located at North Kashi Block, Tarim Basin in the PRC for 30 years commencing 1 June 2009. The Company paid the refundable deposits amounted to HK$804,000,000 as at 31 December 2010 to China Era, and part of which has been utilised by China Era as working capital.

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

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

According to the Agreement, the shortfall amount of HK$1,270,000,000 convertible notes should only be released to the Vendor upon the Company having received a written certificate issued by the a competent evaluator confirming that the First Designated Area be evaluated on the basis of unrisked economic evaluation within the six years period from 1 June 2009 ("Relevant Period").

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

The Acquisition was not accounted for under HKFRS 3 "Business Combination" as the major assets of the Totalbuild Investments Group are the oil and gas properties and the interests in petroleum sharing contract. The assets acquired and liabilities assumed were accounted for under relevant accounting standards.

Further details are set out in the Company's circular dated 3 December 2010.

17. Impairment loss on other receivables, deposits, prepayment and loan receivables

During the period ended 30 June 2011, impairment loss on loan receivables from SMI Publishing Group Limited ("SMI") of HK$37,100,000 and the related interest income receivable of HK$8,375,000 was recognised in the statement of comprehensive income. The receivables were impaired due to the fact that SMI is unable to repay the principal and interest when the amounts fall due.

Up to the date of this announcement, the Group has not been able to obtain a viable repayment proposal from SMI. The Group is now actively considering to take appropriate legal action to secure the Group's position.

18. Related party transactions

During the period, the Group had the following significant transactions with related parties:

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Key management personnel remuneration:		
Director – short-term employee benefits	**1,220**	1,302
Rental expenses paid to related companies *(Note i)*	**2,177**	2,040
Sales of food to related companies *(Note ii)*	**12,596**	7,955

Notes:

i) The rental expenses were paid to:

a) N.W.P. Investments Limited ("N.W.P. Investments"), which is controlled indirectly by a discretionary trust of which Mr. Ng Wing Po's wife and certain of his children are beneficiaries. Mr. Ng Wing Po is a director of certain subsidiaries of the Company and a director of N.W.P. Investments. The rental expenses were based on the agreement signed with the Group.

b) Hon Po Investment Limited of which directors of certain subsidiaries of the Company have a beneficial interest. The rental expenses were based on the tenancy agreements signed with the Group.

ii) The directors of certain subsidiaries of the Company who have held beneficial interests of Bestcase Hong Kong Limited, Dragongem Development Limited, Jing Hua (Allied) Limited, Metropolis Harbour View Chinese Cuisine Limited and Twin Star Investments Limited are namely Mr. Chan Nun Chiu, Ms. Lim Mai Tak, Grace, Mr. Cheung To Seng, Mr. Ng Wing Po and Mr. She Hing Chiu.

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$36,080,000 (2010: HK$50,153,000), representing a decrease of 28% as compared to the corresponding period in 2010. The significant decline in turnover was because the Group disposed a Chinese restaurant in September 2010.

The Group recorded a loss for the six months period attributable to the owners of the Company of approximately HK$62,083,000 compared to a loss of approximately HK$20,457,000 to the corresponding period in 2010. The loss was mainly attributable to the impairment loss of HK$45,475,000 to the loan receivables and other receivables. Loss per share attributable to the owners of the Company was 0.96 HK cents (2010: 0.49 HK cents).

Business Review

During the period, the Group has successfully completed the acquisition of the Totalbuild Investments Group which has entered into petroleum contract with CNPC for the drilling, exploration, exploitation and production of oil and/or natural gas within the specified site located in North Kashi Block, Tarim Basin, Xinjiang, the PRC. The term of the Petroleum Contract is for a term of 30 years commencing 1 June 2009. The results of the Group during the period have included operating costs relating to the petroleum operation from the date of completion of acquisition to 30 June 2011. The results of operations in exploration and production segment and costs incurred in oil and gas property are shown as below:

(a) Results of operations in exploration and production segment

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Net sales to customers	**–**	–
Other income	**4,496**	–
Operating expenses	**(9,351)**	–
Depreciation	**(474)**	–
Result of operations before income tax expenses	**(5,329)**	–

(b) Costs incurred in oil and gas property

	Unaudited six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Acquisition costs	**565,476**	–
Exploration	**4,686**	–
	570,162	–

Since the Group is still negotiating with CNPC regarding the pricing and percentage of revenue sharing on the natural gas and the operations to those gas wells. No turnover was recognized in relation to the exploration and production of natural gas.

During the period, the Group continues to operate one Chinese restaurant and continues to face pressure due to persistence increase in the price of raw materials and labour wages.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 30 June 2011, the Group had no outstanding interest-bearing borrowings (31 December 2010: Nil). The cash and cash equivalents of the Group were approximately HK$554,843,000 (31 December 2010: HK$4,674,000)

As at 30 June 2011, The Group's current ratio (current assets to current liabilities) was approximately 1.1 (31 December 2010: 2.9). The ratio of total liabilities to total assets of the Group was 17.8% (31 December 2010: 5.4%).

During the period, convertible notes of the principal amount of approximately HK$432,170,000 were converted at an exercise price of HK$0.168 resulted in the issuance of additional 2,572,440,000 ordinary shares of the Company.

As at 30 June 2011, the Company has outstanding convertible notes in the principal amount of HK$2,125,830,000 due in 2041 not carrying any interest with right to convert the convertible notes into ordinance shares of the Company. A maximum number of 12,653,750,000 shares may be allotted and issued upon exercise of the conversion rights attached to the convertible notes in full.

Charge of Assets

None of the assets of the Group were pledged as security for any banking facilities and borrowings as at 30 June 2011 and 31 December 2010.

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 in the functional currency of respective group entities during the period.

Capital Commitments

The Group had no material capital commitments as at 30 June 2011 and 31 December 2010.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2011 and 31 December 2010.

Employee Information

As at 30 June 2011, the Group had a total workforce of 156 (30 June 2010: 186). 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 has been seeking investment opportunities from time to time to broader the Group's sources of income.

On 3 January 2011, the Company completed the acquisition of the entire issued share capital of the Totalbuild Investments and issued Tranche I convertible notes of principal amount HK$2,558,000,000, the convertible notes may issue upto 15,226,190,476 ordinary shares of the Company upon conversion. The convertible notes will be matured in the year 2041.

The success of the acquisition enables the Group to diversify its business into natural resources business. The management of the Group maintains its long-term confidence on the natural gas and oil industries and the acquisition will broaden the revenue stream of the Group in the future.

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 2011.

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 2011, 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 report, the Chairman of the Board is vacated and Mr. Zhao Guoqiang ("Mr. Zhao") was elected as the CEO.

The code provision E1.2 stipulates that the Chairman of the Board shall attend the annual general meeting of the Company. Due to the vacancy of chairman of the Company, Mr. Zhao chaired the annual general meeting of the Company held on 16 June 2011. This constitutes a deviation from the code provision E1.2 of the Code.

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 2011 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.

REMUNERATION COMMITTEE

The Remuneration Committee was established for the purpose of making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The written terms of reference have described the authority and duties of the Remuneration Committee which in line with the CG Code were prepared and adopted. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Fu Wing Kwok, Ewing, Mr. Sun Xiaoli and Mr. Fu Dali.

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 2011 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
Zhao Guoqiang
Chief Executive Officer & Executive Director

Hong Kong, 31 August 2011

As at the date of this announcement, the Board comprises Mr. Zhao Guoqiang, Mr. Chui Kwong Kau, Mr. Liu Baohe, Mr. Zhang Zhenming and Mr. Huang Changbi as executive directors; and Mr. Fu Wing Kwok, Ewing, Mr. Sun Xiaoli and Mr. Fu Dali as independent non-executive directors.