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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011 together with comparative figures for 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Turnover	*3*	**73,876**	85,376
Other income		**374**	5,563
Cost of inventories consumed		**(39,297)**	(36,304)
Staff costs	*4*	**(33,055)**	(31,836)
Operating lease rentals		**(9,517)**	(11,847)
Depreciation of property, plant and equipment		**(1,593)**	(685)
Fuel costs and utility expenses		**(3,964)**	(5,905)
Fair value loss of financial assets held for trading		**(7,920)**	(21,100)
Impairment loss of deposits and other receivables		**(14,369)**	(2,695)
Impairment loss of loan receivables		**(51,941)**	(8,500)
Gain on disposal of a subsidiary		**—**	9,855
Other operating expenses		**(29,140)**	(32,909)
Finance costs	*11*	**(10,618)**	—
Loss before income tax		**(127,164)**	(50,987)
Income tax credits	*5*	**4,328**	—
Loss for the year		**(122,836)**	(50,987)

* *For identification purposes only*

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**13,372**	—
Total comprehensive income for the year		**(109,464)**	(50,987)
Loss attributable to:			
Owners of the Company		**(122,836)**	(50,987)
Non-controlling interests		**—**	—
		(122,836)	(50,987)
Total comprehensive income attributable to:			
Owners of the Company		**(109,464)**	(50,987)
Non-controlling interests		**—**	—
		(109,464)	(50,987)
Loss per share	*7*		
— Basic (HK cents)		**(1.80)**	(1.20)
— diluted (HK cents)		**(1.80)**	(1.20)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	**2011** *HK$'000*	2010 *HK$'000*
Non-current assets			
Property, plant and equipment		**4,268**	1,337
Exploration and evaluation assets		**602,105**	—
Intangible assets	*12*	**2,946,388**	—
Rental deposits and other deposits		**416**	1,174
Deposits for acquisition of subsidiaries		**—**	804,000
Deferred tax assets		**77,481**	—
		3,630,658	806,511
Current assets			
Inventories		**9,754**	5,516
Trade receivables	*8*	**9**	41
Financial assets held for trading		**5,487**	29,677
Other receivables, deposits and prepayments		**14,067**	47,575
Loan receivables		**—**	51,941
Amounts due from related companies		**4,681**	12,450
Tax recoverable		**—**	54
Cash and bank balances		**378,011**	4,674
		412,009	151,928
Assets of a disposal company classified as held for sale		**5,711**	—
		417,720	151,928
Total assets		**4,048,378**	958,439

	Notes	2011 *HK$'000*	2010 *HK$'000*
Current liabilities			
Trade payables	*9*	**8,749**	8,159
Other payables and accruals		**386,193**	30,132
Amount due to a related company		**6,954**	13,598
Provision for legal claims	*10*	**5,000**	—
		406,896	51,889
Liabilities of a disposal company classified as held for sale		**4,002**	—
		410,898	51,889
Net current assets		**6,822**	100,039
Total assets less current liabilities		**3,637,480**	906,550
Non-current liabilities			
Convertible notes	*11*	**99,549**	—
Other payable		**51,240**	—
Amount due to a shareholder		**42,409**	—
Deferred tax liabilities		**53**	53
Provision for long service payments		**86**	86
		193,337	139
Net assets		**3,444,143**	906,411
Equity			
Share capital		**396,056**	217,684
Reserves		**3,047,334**	687,974
Attributable to owners of the Company		**3,443,390**	905,658
Non-controlling interests		**753**	753
Total equity		**3,444,143**	906,411

Notes

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable 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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) Adoption of new/revised HKFRSs effective 1 January 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) — Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

The adoption of these new/revised standards and interpretations has no material impact on the Group's financial statements.

HKFRS 3 (Amendments) — Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("**NCI**") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's consolidated financial statements.

HKAS 24 (Revised) — Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and considered as no impact on the current and comparative periods related party transactions disclosure. The adoption of HKAS24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

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

The following new/revised HKFRSs, potentially relevant to the Group's operations, have been issued but are not yet effective and have not been early adopted by the Group:

Amendments to HKFRS 7	Disclosures — Transfers to Financial Assets[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HKAS 29 (2011)	Employee Benefits[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 11 — Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors are not yet in a position to quantify the effects on the Group's financial statements.

3. TURNOVER 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 reserves 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 two reportable segments:

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

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

The segment information provided to the Board for the reportable segments for the years ended 31 December 2011 and 2010 are as follows:

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

	Exploration and Production *HK$'000*	**Sales of Food and Beverages Business** *HK$'000*	**Total** *HK$'000*
For the year ended 31 December 2011			
Revenue from external customers	**—**	**73,876**	**73,876**
Reportable segment loss before income tax	**(33,390)**	**(65)**	**(33,455)**
Segment results included:			
Interest income	**343**	**—**	**343**
Depreciation	**965**	**577**	**1,542**
Additions to non-current assets	**3,532,355**	**1,005**	**3,533,360**
Reportable segment assets	**4,000,094**	**21,018**	**4,021,112**
Reportable segment liabilities	**(424,463)**	**(26,631)**	**(451,094)**

	Exploration and Production *HK$'000*	Sales of Food and Beverages Business *HK$'000*	Total *HK$'000*
For the year ended 31 December 2010			
Revenue from external customers	—	85,376	85,376
Reportable segment profit before income tax	—	9,778	9,778
Segment results included:			
Interest income	—	—	—
Depreciation	—	635	635
Additions to non-current assets	—	74	74
Reportable segment assets	—	23,545	23,545
Reportable segment liabilities	—	(29,093)	(29,093)

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

	2011	2010
	HK$'000	*HK$'000*
Loss before income tax		
Reportable segment (loss)/profit before income tax	**(33,455)**	9,778
Other income	**12**	5,527
Impairment loss on deposits and other receivables	**(14,369)**	(2,695)
Impairment loss on loan receivables	**(51,941)**	(8,500)
Fair value loss of financial assets held for trading	**(7,920)**	(21,100)
Finance costs	**(10,618)**	—
Unallocated head office and corporate expenses	**(8,873)**	(33,997)
Loss before income tax	**(127,164)**	(50,987)

	2011	2010
	HK$'000	*HK$'000*
Assets		
Reportable segment assets	**4,021,112**	23,545
Other receivables	**240**	47,230
Financial assets held for trading	**5,487**	29,677
Deposits for acquisition of subsidiaries	**—**	804,000
Loan receivables	**—**	51,941
Unallocated head office and corporate assets	**21,539**	2,046
Total assets	**4,048,378**	958,439

	2011	2010
	HK$'000	*HK$'000*
Liabilities		
Reportable segment liabilities	**451,094**	29,093
Convertible notes	**99,549**	—
Amount due to a shareholder	**42,409**	—
Unallocated head office and corporate liabilities	**11,183**	22,935
Total liabilities	**604,235**	52,028

(c) Geographic information

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, deferred tax assets and assets held for sale ("**Specified non-current assets**").

	Revenue from external customers		Specified non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**73,876**	85,376	**6,504**	806,511
People's Republic of China ("**PRC**")	**—**	—	**3,546,673**	—
	73,876	85,376	**3,553,177**	806,511

4. LOSS BEFORE INCOME TAX

	2011	2010
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging:		
Auditor's remuneration	**1,000**	966
Cost of inventories consumed	**39,297**	36,304
Depreciation of property, plant and equipment	**1,593**	685
Exchange loss, net	**8,417**	—
Staff costs (including directors' remuneration)		
— Wages and salaries and other benefits	**32,217**	30,747
— Pension fund contributions	**838**	1,089
	33,055	31,836

5. INCOME TAX CREDITS

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

	2011	2010
	HK$'000	*HK$'000*
Current tax — PRC	**(5)**	—
Deferred tax	**4,333**	—
Total income tax credit	**4,328**	—

No provision for Hong Kong profits tax has been made as the Group had tax losses for both years. PRC enterprise income tax is calculated at 25% on the estimated assessable profit for the year.

6. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2011 (2010: Nil), nor has any dividend been proposed since the end of reporting period (2010: Nil).

7. 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.

	2011	2010
	HK$'000	*HK$'000*
Loss attributable to owners of the Company	**(122,836)**	(50,987)
	Number of shares	Number of shares
Weighted average number of ordinary shares in issue	**6,813,495,231**	4,250,392,329
	HK Cents	*HK Cents*
Basic loss per share	**1.80**	1.20

(b) Diluted

No diluted loss per share for the year ended 31 December 2011 is presented as the potential ordinary shares on convertible notes are anti-dilutive.

No diluted loss per share for the year ended 31 December 2010 is presented as the Company has no potential dilutive ordinary shares at 31 December 2010.

8. TRADE RECEIVABLES

Customers are usually offered a credit period ranging from one to three months. An ageing analysis of trade receivables as at 31 December 2011 and 2010 is as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Current to 3 months	**9**	41

All trade receivables are neither individually nor collectively considered to be impaired as there was no recent history of default and relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

9. TRADE PAYABLES

An ageing analysis of trade payables of the Group as at 31 December 2011 and 2010 is as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Current to 3 months	**5,803**	5,213
Over 1 year	**2,946**	2,946
Total trade payables	**8,749**	8,159

10. 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**"), a wholly owned subsidiary of the Group, 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, 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 31 December 2011.

On 20 December 2011, the Plaintiff and Defendants entered into a settlement agreement and agreed to settle all claims, demands and disputes rose out. The claims were subsequently settled on 3 January 2012.

11. CONVERTIBLE NOTES

Pursuant to the acquisition of subsidiaries as detailed in note 12, 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 notes are intended to be transferred to a connected person (as defined in the Listing Rules) of the Group (other than the associates of the noteholder) 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.

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**
	HK$'000	*HK$'000*
At 1 January 2010, 31 December 2010 and 1 January 2011	—	—
Issued during the period	117,316	2,618,811
Converted into ordinary shares during the period	(28,385)	(613,578)
Interest expenses	10,618	—
At 31 December 2011	99,549	2,005,233

12. 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 China National Petroleum Corporation ("**CNPC**"). 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 (the "**First Designated Area**") and the entire issued share capital (the "**Acquisition**") of Totalbuild Investments and its subsidiaries ("**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 notes 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 or otherwise agreed.

According to the Agreement, the shortfall amount of HK$1,279,000,000 convertible notes should only be released to the Vendor upon the Company having received a written certificate issued by the 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 (the "**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.

Details of the net assets and liabilities acquired as at date of acquisition were:

	HK$'000	*HK$'000*
Net assets acquired		
Property, plant and equipment	4,898	
Exploration and evaluation assets	559,607	
Intangible assets — Petroleum production sharing contract	2,946,388	
Deferred tax assets	70,474	
Other receivables, deposits and prepayments	1,193	
Cash and cash equivalents	599,412	
Other payables and accruals	(539,546)	
		3,642,426
Total fair value of consideration transfer:		
Fair value of convertible notes		2,736,127
Set-off with deposits for acquisition of subsidiaries		804,000
Consideration to be satisfied in cash		102,299
		3,642,426
Net cash inflow arising on acquisition:		
Cash and cash equivalent balances acquired		599,412

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

For the year ended 31 December 2011, the Group recorded a turnover of the sale of food and beverages business of approximately HK$73,876,000 (2010: HK$85,376,000), representing a decrease of 13% as compared to corresponding period in 2010. The significant decline in turnover was because the Group disposed a Chinese restaurant in September 2010 and only one Chinese restaurant operating in the Group.

The Group recorded a loss for the year attributable to the owners of the Company of approximately HK$122,836,000 compared to a loss of approximately HK$50,987,000 to the corresponding period in 2010. The loss was mainly attributable to the impairment loss of HK$66,310,000 to the deposits, other receivables and loan receivables. Loss per share attributable to the owners of the Company was 1.80 HK cents (2010: 1.20 HK cents).

Business Review

During the year, 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, 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 31 December 2011.

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 recognised in relation to the exploration and production of natural gas.

During the year, the sale of food and beverages business recorded a loss which was mainly due to the loss incurred by operating a Chinese restaurant. The Chinese restaurant operating in Hong Kong has been facing high rent costs and high inflation, together with the persistence increase in raw materials costs and labour costs pose challenges to the Group.

On 28 December 2011, the Group entered into an agreement with Speedy Fortune Limited to dispose Ocean Grace Investment Limited ("**OGIT**"), which is principally engaged in operating a restaurant in Hong Kong. Having considered the uncertain market environment in the Chinese restaurant in Hong Kong, the Board considers that the Disposal would provide a good opportunity to exit the Chinese restaurant market in Hong Kong and the Group can reallocate its resource to the other investment opportunities.

After completion of the Disposal, the Group will continue to operate the sales of food and beverages business. The Company expects that it can still generate stable revenue in the foreseeable future. Details of information were set out in the Company's announcement dated on 28 December 2011.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 31 December 2011, the Group had no outstanding interest-bearing borrowings (2010: Nil). The cash and cash equivalents of the Group were approximately HK$378,011,000 (2010: HK$4,674,000).

As at 31 December 2011, the Group's current ratio (current assets to current liabilities) was approximately 1.0 (2010: 2.9). The ratio of total liabilities to total assets of the Group was 14.9% (2010: 5.4%).

During the year, convertible notes of the principal amount of HK$599,330,000 were converted at an exercise price of HK$0.168 resulted in the issuance of additional 3,567,440,000 ordinary shares of the Company.

As at 31 December 2011, the Company has outstanding convertible notes in the principal amount of HK$1,958,670,000, including principal amount of HK$1,279,000,000 held under escrow arrangement, due in 2041 not carrying any interest with right to convert the convertible notes into ordinance shares of the Company. A maximum number of 11,658,750,000 shares may be allotted and issued upon exercise of the conversion rights attached to the convertible notes in full.

Charges of Assets

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

Exchange Exposure

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

Capital Commitments

The Group had capital commitments of approximately HK$259,350,000 as at 31 December 2011 (2010: HK$nil).

Contingent Liabilities

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

Employee Information

As at 31 December 2011, the Group had a total workforce of 154 (2010: 127). The Group remunerates its employees based on their work performance, working experiences, professional qualifications and the prevailing market practice.

Major Transaction

On 28 December 2011, Hon Po International Limited ("**HPIL**"), a company incorporated in the British Virgin Island and a wholly-owned subsidiary of the Company, entered into the Agreement with the Speedy Fortune Limited (the "**Purchaser**"), a third party independent of the Company and its connected persons, pursuant to which HPIL has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the OGIT, a company incorporated in Hong Kong and wholly owned by HPIL, Sale Shares and the OGIT Sale Loan at a total consideration of approximately HK$5,900,000. Details of information were set out in the Company's announcement dated on 28 December 2011.

As at the date of this announcement, none of the conditions has been fulfilled and the Disposal is subject to the approval of the Shareholders at the EGM.

Prospects

Natural Resource Industries

The Group has been seeking investment opportunities from time to time to broaden 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 up to 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 purchased, redeemed or sold any of the Company's listed securities, during the year ended 31 December 2011.

CORPORATE GOVERNANCE PRACTICES

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

The Company's has complied with the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 of the Listing Rules, except for Code Provision A.2.1 of the CG Code which states that the roles of chairman and chief executive officer (the "**CEO**") should be separate and should not be performed by the same individual and the division of responsibilities between the chairman and CEO should clearly established and set out in writing. Since the position of chairman is vacated, the Board is currently identifying the suitable candidate to fill the vacancy and will ensure that the chairman will be appointed as soon as possible.

Pursuant to the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting (the "**AGM**"). However, the chairman is vacated. Mr. Zhao Guoqiang as the CEO will attend the AGM and will be available to answer questions at the AGM. The Company carries out periodically reviews its corporate governance practice to ensure that these continue to meet the requirement of CG Code.

Pursuant to A4.1 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.

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 year 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 audited financial statements for the year ended 31 December 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.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the announcement of the Group's consolidated statements of comprehensive income and financial position and the related notes thereto for the year ended 31 December 2011 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.

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 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 annual report will be dispatched to shareholders and will be available on websites of the Stock Exchange and the Company in due course.

By order of the Board
China Energy Development Holdings Limited
Zhao Guoqiang
Chief Executive Office and Executive Director

Hong Kong, 27 March 2012

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.