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 2014

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 2014 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Unaudited six months ended 30 June	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**20,074**	18,586
Other income	*4*	**22**	11
Cost of inventories consumed		**(17,877)**	(16,572)
Staff costs		**(4,965)**	(4,689)
Operating lease rentals		**(2,845)**	(2,782)
Depreciation of property, plant and equipment		**(349)**	(348)
Fuel costs and utility expenses		**(227)**	(125)
Fair value gain of financial assets held for trading		**4,585**	50
Other operating expenses		**(8,142)**	(5,285)
Finance costs		**(6,560)**	(5,919)
Loss before income tax	*5*	**(16,284)**	(17,073)
Income tax credits	*6*	**1,111**	1,577
Loss for the period		**(15,173)**	(15,496)

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the six months ended 30 June 2014

	Notes	Unaudited six months ended 30 June 2014 HK$'000	2013 HK$'000
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(106,953)**	53,150
Total comprehensive income for the period		**(122,126)**	37,654
Loss for the period attributable to:			
Owners of the Company		**(15,173)**	(15,496)
Non-controlling interests		**–**	–
		(15,173)	(15,496)
Total comprehensive income attributable to:			
Owners of the Company		**(122,126)**	37,654
Non-controlling interests		**–**	–
		(122,126)	37,654
Loss per share	*8*		
— Basic (HK cents)		**(0.19)**	(0.20)
— Diluted (HK cents)		**(0.19)**	(0.20)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

	Notes	Unaudited 30 June 2014 HK$'000	Audited 31 December 2013 HK$'000
Non-current assets			
Property, plant and equipment	9	**3,410**	3,843
Exploration and evaluation assets	10	**704,280**	727,183
Intangible assets	11	**2,970,539**	3,067,142
Deferred tax assets		**88,666**	90,410
		3,766,895	3,888,578
Current assets			
Inventories		**7,268**	9,059
Trade receivables	12	**39**	10
Financial assets held for trading		**7,078**	2,493
Other receivables, deposits and prepayments		**6,573**	7,173
Amounts due from related companies	13	**10,945**	8,507
Cash and bank balances		**225,718**	317,452
		257,621	344,694
Total assets		**4,024,516**	4,233,272
Current liabilities			
Trade payables	14	**5,373**	6,736
Other payables and accruals		**347,798**	437,860
Amounts due to a related company	13	**6,863**	5,073
		360,034	449,669
Net current liabilities		**(102,413)**	(104,975)
Total assets less current liabilities		**3,664,482**	3,783,603

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2014

	Notes	**Unaudited 30 June 2014 *HK$'000***	Audited 31 December 2013 *HK$'000*
Non-current liabilities			
Convertible notes	*15*	**128,816**	122,256
Other payables		**109,307**	112,862
Amount due to a shareholder	*13*	**40,402**	40,402
Deferred tax liabilities		**53**	53
Provision for long service payments		**86**	86
		278,664	275,659
Net Assets		**3,385,818**	3,507,944
Equity			
Share capital		**396,056**	396,056
Reserves		**2,989,009**	3,111,135
Attributable to owners of the Company		**3,385,065**	3,507,191
Non-controlling interests		**753**	753
Total equity		**3,385,818**	3,507,944

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

a. Statement of Compliance

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 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

b. Basis of measurement and going concern assumption

The financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

During the period, the Group has incurred a loss of HK$15,173,000 and at the end of reporting period, its current liabilities exceeded its current assets by HK$102,413,000. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. The directors anticipate the negotiation of the Gas Sales Agreement ("**GSA**") with China National Petroleum Corporation ("**CNPC**") will complete shortly as the People's Republic of China ("**PRC**") government has announced the details of the reform of natural gas pricing mechanism on 28 June 2013. The GSA with CNPC covers a number of provisions, such as terms of the GSA, quantity of volume commitments, gas quality, price terms, delivery obligations and delivery point etc. The major point is that the Group has yet to agree with CNPC on pricing terms. The natural gas pricing reform closed the price gap between imported and local gas prices. The reformed pricing mechanism on natural gas is a major reference point for the Group to negotiate the pricing terms with CNPC. The Group believes that the increase in domestic natural gas price which will be to the benefit of the Group. Based on the current information available to the directors, the directors expected that the GSA could be finalised in the year 2014 or early 2015. The Group will then accelerate the exploration, development and pilot-production of oil/gas in the field so that the overall financial performance of the Group will be significantly improved, as well as its operating cash position. The substantial shareholder has also undertaken not recalling the amount due to it until the Group is able to pay its other creditors in the normal course of business, in order to maintain the Group as a going concern. A preliminary natural gas sharing proposal is discussed and agreed by joint management committee which comprises representatives from CNPC and the Group at 18 February 2014 ("the **Proposal**"). Based on the Proposal, the Group will receive the proposed distribution of natural gas from pilot production which was delivered and sold before 1 January 2014 based on a preliminary gas price. The Directors expected such proposed distribution will be received during year 2014 and 2015. However, the unit price in the Proposal is only a preliminary unit price used for this preliminary sharing. The final unit price is still subject to change and would only be confirmed after the formal GSA signed.

On 18 July 2014, the Company had allotted and issued an aggregate of 1,584,224,000 new shares to an asset management product managed by Harvest Fund Management Co., Ltd at the subscription price of HK$0.101 per subscription share. The net proceeds arising from the subscription amounted to approximately HK$159 million. The Company intends to apply the net proceeds from the subscription for general working capital of the Group.

The directors have carried out a detailed review of the cash flow forecast of the Group for the twelve months ending 30 June 2015 taking into account the measures as referred to above, and consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the period of the forecast. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

1. BASIS OF PREPARATION (CONTINUED)

b. Basis of measurement and going concern assumption (Continued)

If the going concern basis is not appropriate, adjustments would have to be made to write down the values of the assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

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 2013. 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 2013.

In the current period, the Group has adopted the following new and revised HKFRSs, which are effective for the Group's accounting period beginning on or after 1 January 2014.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The adoption of the new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Impact of issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these interim financial statements:

Amendment to HKFRSs	Annual Improvement to HKFRSs 2010-2012 Cycle[1]
Amendment to HKFRSs	Annual Improvement to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operation[3]
HKFRS 14	Regulatory Deferral Account[3]
HKFRS 15	Revenue from Contracts with Customers[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 19	Defined Benefit Plans — Employee Contributions[1]

1 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
2 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application.

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 organization 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 sales of food and beverages to restaurants.

The segment information provided to the Board for the reportable segments for the six months ended 30 June 2014 and 2013 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 six months ended 30 June 2014			
Revenue from external customers	**–**	**20,074**	**20,074**
Reportable segment (loss)/profit before tax expenses	**(8,598)**	**432**	**(8,166)**
Segment results included:			
Interest income	**21**	**–**	**21**
Depreciation	**315**	**34**	**349**
Additions to non-current assets	**–**	**31**	**31**
Reportable segment assets	**3,888,122**	**18,779**	**3,906,901**
Reportable segment liabilities	**(445,181)**	**(16,801)**	**(461,982)**

3. **TURNOVER AND SEGMENT INFORMATION (CONTINUED)**

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

	Exploration and Production *HK$'000*	Sales of Food and Beverages Business *HK$'000*	Total *HK$'000*
For the six months ended 30 June 2013			
Revenue from external customers	–	18,586	18,586
Reportable segment (loss)/profit before tax expenses	(8,675)	442	(8,233)
Segment results included:			
Interest income	10	–	10
Depreciation	318	30	348
Additions to non-current assets	–	21	21
Reportable segment assets	3,939,539	17,422	3,956,961
Reportable segment liabilities	(420,216)	(15,131)	(435,347)

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

Loss before income tax	**Unaudited six months ended 30 June** **2014** ***HK$'000***	2013 *HK$'000*
Reportable segment loss before income tax	**(8,166)**	(8,233)
Other income	**–**	1
Fair value gain of financial assets held for trading	**4,585**	50
Finance costs	**(6,560)**	(5,919)
Unallocated head office and corporate expenses	**(6,143)**	(2,972)
Loss before income tax	**(16,284)**	(17,073)

Assets	**Unaudited 30 June 2014** ***HK$'000***	Audited 31 December 2013 *HK$'000*
Reportable segment assets	**3,906,901**	4,120,772
Deferred tax assets	**88,666**	90,410
Other receivables	**295**	591
Financial assets held for trading	**7,078**	2,493
Unallocated head office and corporate assets	**21,576**	19,006
Total assets	**4,024,516**	4,233,272

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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

Liabilities	**Unaudited 30 June 2014** *HK$'000*	Audited 31 December 2013 *HK$'000*
Reportable segment liabilities	**461,982**	557,252
Deferred tax liabilities	**53**	53
Convertible notes	**128,816**	122,256
Amount due to a shareholder	**40,402**	40,402
Unallocated head office and corporate liabilities	**7,445**	5,365
Total liabilities	**638,698**	725,328

4. OTHER INCOME

	Unaudited six months ended 30 June	
	2014 *HK$'000*	2013 *HK$'000*
Bank interest income	**22**	10
Sundry income	**–**	1
	22	11

5. LOSS BEFORE INCOME TAX

	Unaudited six months ended 30 June	
	2014 *HK$'000*	2013 *HK$'000*
Loss before income tax is arrived at after charging/(crediting):		
Cost of inventories consumed	**17,877**	16,572
Depreciation of property, plant and equipment	**349**	348
Staff costs (including directors remuneration)		
— Wages and salaries and other benefits	**4,900**	4,629
— Pension fund contributions	**65**	60
	4,965	4,689
Operating lease rentals		
— Related companies	**330**	240
— Third Parties	**2,515**	2,542
	2,845	2,782

6. INCOME TAX CREDITS

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

	Unaudited six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Deferred tax	**1,111**	1,577

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

7. DIVIDEND

No dividend was paid or proposed for the six months ended 30 June 2014 (2013: Nil), nor has any dividend been proposed since the end of reporting period.

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	
	2014	2013
	HK$'000	*HK$'000*
Loss attributable to owners of the Company	**15,173**	15,496
	Number of Shares	
Weighted average number of ordinary shares in issue	**7,921,120,000**	7,921,120,000
	HK Cents	
Basic loss per share	**0.19**	0.20

(b) Diluted

Diluted loss per share is the same as basic loss per share for six months period ended 30 June 2014 and 2013 as the potential ordinary shares on convertible notes are anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired property, plant and equipment at the cost of approximately HK$31,000 (2013: HK$21,000).

10. EXPLORATION AND EVALUATION ASSETS

During the six months ended 30 June 2014, the Group did not purchase any exploration and evaluation assets. Movement of the period represented exchange difference of HK$22,903,000.

11. INTANGIBLE ASSETS

During the six months period ended 30 June 2014, the interest in the petroleum production sharing contract acquired in previous years in relation to the acquisition of subsidiaries was recognized as intangible assets at costs. No amortization was provided for the six months period ended 30 June 2014 and 2013. Movement of the period represented exchange difference of HK$96,603,000.

12. TRADE RECEIVABLES

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

	The Group	
	Unaudited	Audited
	30 June	31 December
	2014	2013
	HK$'000	*HK$'000*
Current to 3 months	**39**	10

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.

13. AMOUNTS DUE FROM/TO RELATED COMPANIES AND A SHAREHOLDER

Amounts due from/to related companies are unsecured, interest free and repayable on demand; and the amount due to a shareholder is unsecured, interest free and is repayable after 1 July 2015.

14. TRADE PAYABLES

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

	Unaudited	Audited
	30 June	31 December
	2014	2013
	HK$'000	*HK$'000*
Current to 3 months	**2,427**	3,790
Over 1 year	**2,946**	2,946
	5,373	6,736

15. CONVERTIBLE NOTES

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 31 December 2013 and 1 January 2014	122,256	2,005,233
Interest expenses	6,560	–
As 30 June 2014	128,816	2,005,233

16. RELATED PARTY TRANSACTIONS

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

	Unaudited six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Key management personnel remuneration:		
Director — short-term employee benefits	**1,124**	1,066
Rental expenses paid to related companies *(note i)*	**330**	240
Sales of food to related companies *(note ii)*	**19,904**	18,484

Notes:

(i) The rental expenses were paid to Hon Po Investment Limited and Speedy Fortune 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, Ocean Grace Investments Limited and Twin Star Investments Limited are namely Mr. Chan Nun Chiu, Ms. Lim Mai Tak, Grace, Mr. Cheung To Seng, Mr. Ng and Mr. She Hing Chiu.

17. LITIGATION

a. In January 2014, two independent parties (the "**Plaintiffs**") undertook a legal action against three parties. These three parties are referred to as the "First Defendant", "Second Defendant" and the "Third Defendant" (collectively referred to as the "**Defendants**"). The First Defendant and Second Defendant is the Company's substantial shareholders and the Company is the Third Defendant.

   Based on the statement of claims, the Plaintiffs alleged that the First Defendant and Second Defendant have agreed to transfer a total sum of HK$106,820,000 convertible notes ("**CN in dispute**") of the Company to them. The Plaintiffs alleged that they are the legal owners of the CN in dispute but the Company fail to recognize the transfer and fail to issue shares with their conversion instruction. The Plaintiffs seeks for total damages of HK$106,820,000 and interests and related costs.

   The Third Defendant filed defense on 12 March 2014 where the Third Defendant denied the claim made by the Plaintiffs. The management of the Company assessed that the litigation would have no material impact to the financial position of the Company and the liability to the Company is remote.

b. On 16 June 2014, the Company received a writ of summon in the High Court of Hong Kong relating to the termination of placing agreement on 21 May 2014 with United Simsen Securities Limited ("**United Simsen**"). United Simsen as the plaintiff claimed against the Company for (a) the sum of HK$3,010,025.60; (b) reimbursement of costs and expenses; and (c) indemnity against all claims, damages, costs and expenses from the placees, together with interest and costs. The Company is seeking legal advice from its legal advisers to uphold the Company's rights and position relating to the termination of the Placing Agreement. Details of the termination of placing agreement were disclosed in the Company's announcement dated 21 May 2014. No provision is made in the current financial period.

c. On 11 July 2014, the Company received a writ of summon in the High Court of Hong Kong relating to the termination of open offer and underwriting agreement on 23 June 2014 with United Simsen. United Simsen claimed against the Company for (a) the sum of HK$8,850,496.07; (b) reimbursement for all reasonable legal fees, documentation fees and other reasonable out-of-pocket expenses in respect of the open offer under the underwriting agreement; and (c) indemnity against all claims, damages, costs and expenses from the sub-underwriters under the underwriting agreement, together with interest and costs. The Company is seeking legal advice from its legal advisers to uphold the Company's rights and position relating to the termination of open offer and underwriting agreement. Details of the termination of open offer and underwriting agreement were disclosed in the Company's announcement dated on 23 June 2014. No provision is made in the current financial period.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

During the six months period under review, the Group recorded the turnover from the food and beverages business of approximately HK$20,074,000 (2013: HK$18,586,000), representing an increase of 8% as compared to the corresponding period in 2013. The turnover derived wholly from the sales of food and beverages business segment, the exploration and production segment did not recognize any revenue during the corresponding period.

The Group recorded a loss for the six months period attributable to the owners of the Company of approximately HK$15,173,000 compared to a loss of approximately HK$15,496,000 to the corresponding period in 2013. Loss per share attributable to the owners of the Company was 0.19 HK cents (2013: 0.20 HK cents).

Business Review

Exploration and Production Segment

The Group has successfully completed the acquisition (the "**Acquisition**") of Totalbuild Investments Group (Hong Kong) Limited and its subsidiaries ("**Totalbuild Investments Group**") in 2011 which has entered into petroleum contract with China National Petroleum Corporation ("**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 "**Petroleum Contract**"). The term of the Petroleum Contract is for a term of 30 years commencing 1 June 2009.

Under the Petroleum Contract, the Group shall 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 site. Under the Petroleum Contract, in the event that any oil field and/or gas field is discovered within the site, the development costs shall be borne by CNPC and the Group in the proportion of 51% and 49%, respectively.

According to the Petroleum Contract, the exploration period covers 6 years. The managements have devoted much of its resources during the period in exploration and research studies.

The development period of any oil/gas field will start from the date of the completion of the Overall Development Program ("**ODP**"). ODP is a document that is required to be approved by the relevant government authorities before the development can commence. ODP comprises a formal development engineering plan, backed up by survey results and relevant studies, together with a full economic analysis and time schedule of the development operations. However, there was delay in finalizing the ODP documentation and the preparation of formal reserve report. The production period should start immediately after obtaining relevant government approval on ODP.

During the period subsequent to the Acquisition, we are carrying out pilot productions with CNPC at the site. 127,650,000 (year ended 31 December 2013: 314,830,000) cubic meters of gas were being extracted for the six months ended 30 June 2014. The information obtained from research and pilot production will form part of the information to be applied in the ODP. The gas so produced during the pilot productions has been sold to the local customers by CNPC near the site area.

As at 30 June 2014, the acquired oil/gas field has approximately estimated contingent resources of 47.4 (31 December 2013: 47.4) thousand barrels of oil and 11,739 (31 December 2013: 11,802) million cubic metres of natural gas (based on Group's 49% net entitlement interests in Petroleum contract). These contingent resources are quantities of oil and gas estimated, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. The risks associated with these contingent resources included, (i) no definitive Gas Sales Agreement nor accurate information on likely future sales prices; (ii) the future overall development program is still to be developed and approved; and (iii) the field is situated in a remote location.

During the period, the exploration and production segment did not recognize any revenue and the Group is still negotiating with CNPC regarding the price term. The segment loss before income tax was approximately HK$8,598,000 (2013: HK$8,675,000). No development and production activity was carried out under the Petroleum Contract, the pilot-production is not regarded as production activities as the Petroleum Contract is still in its exploration stage and ODP is yet to approve.

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

(a) Results of operations in exploration and production segment

	Unaudited six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Net sales to customers	**–**	–
Other income	**21**	10
Operating expenses	**(8,304)**	(8,367)
Depreciation	**(315)**	(318)
Results of operations before income tax expenses	**(8,598)**	(8,675)

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

	Unaudited six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Exploration cost	**–**	–

Sales of Food and Beverages Business

For the six month ended 30 June 2014, the Group recorded a turnover from the sales of food and beverages business of approximately HK$20,074,000 (2013: HK$18,586,000), representing an increase of 8% as compared to the corresponding period in 2013. The segment profit before tax expenses was approximately HK$432,000 (2013: HK$442,000). The revenue from the sales of food and beverages business continued to maintain stable, the management will continue to keep track of the economic environment and imply tight costs control to it.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 30 June 2014, the Group had no outstanding interest-bearing borrowings (31 December 2013: Nil). The cash and cash equivalents of the Group were approximately HK$225,718,000 (31 December 2013: HK$317,452,000). The Group's current ratio (current assets to current liabilities) was approximately 0.7 (31 December 2013: 0.8). The ratio of total liabilities to total assets of the Group was approximately 15.9% (31 December 2013: 17.1%).

As at 30 June 2014, the convertible notes outstanding principal amount of HK$1,958,670,000 due in 2041 not carrying any interest with right to convert the convertible notes into ordinary shares of the Company. The conversion price is HK$0.168 per share (subject to adjustments) and a maximum number of 11,658,750,000 shares may be allotted and issued upon exercise of the conversion rights attached to the convertible notes in full. During the period, no convertible note was converted to ordinary shares of the Company.

Subscription of new shares under general mandate

On 23 June 2014, the Company had entered into the subscription agreement with Harvest Fund Management Co., Ltd. ("**Harvest Fund**"), pursuant to which the Company had agreed to issue and allot and Harvest Fund had agreed to subscribe for 1,584,224,000 subscription shares at the subscription price of HK$0.101 per subscription share. The subscription price of HK$0.101 per subscription share represents a discount of approximately 7.39% to the closing price of HK$0.109 per Share as quoted on the Stock Exchange on 20 June 2014 being the last trading day prior to the date of the Subscription Agreement. The gross proceeds and net proceeds from the subscription amount to approximately HK$160 million and HK$159 million, respectively. The Company intends to apply the net proceeds from the subscription for general working capital of the Group. The completion of the subscription took place on 18 July 2014. Details of which were disclosed in the Company's announcement dated on 23 June 2014 and 18 July 2014 respectively.

Charge of Assets

None of the assets of the Group were pledged as security for any banking facilities and borrowings as at 30 June 2014 and 2013.

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$162,022,000 as at 30 June 2014 (31 December 2013: HK$167,291,000).

Litigation

a. In January 2014, two independent parties (the "**Plaintiffs**") undertook a legal action against three parties. These three parties are referred to as the "First Defendant", "Second Defendant" and the "Third Defendant" (collectively referred to as the "**Defendants**"). The First Defendant and Second Defendant is the Company's substantial shareholders and the Company is the Third Defendant.

   Based on the statement of claims, the Plaintiffs alleged that the First Defendant and Second Defendant have agreed to transfer a total sum of HK$106,820,000 convertible notes ("**CN in dispute**") of the Company to them. The Plaintiffs alleged that they are the legal owners of the CN in dispute but the Company fail to recognize the transfer and fail to issue shares with their conversion instruction. The Plaintiffs seeks for total damages of HK$106,820,000 and interests and related costs.

   The Third Defendant filed defense on 12 March 2014 where the Third Defendant denied the claim made by the Plaintiffs. The management of the Company assessed that the litigation would have no material impact to the financial position of the Company and the liability to the Company is remote.

b. On 16 June 2014, the Company received a writ of summon in the High Court of Hong Kong relating to the termination of placing agreement on 21 May 2014 with United Simsen Securities Limited ("**United Simsen**"). United Simsen as the plaintiff claimed against the Company for (a) the sum of HK$3,010,025.60; (b) reimbursement of costs and expenses; and (c) indemnity against all claims, damages, costs and expenses from the placees, together with interest and costs. The Company is seeking legal advice from its legal advisers to uphold the Company's rights and position relating to the termination of the Placing Agreement. Details of the termination of placing agreement were disclosed in the Company's announcement dated 21 May 2014. No provision is made in the current financial period.

c. On 11 July 2014, the Company received a writ of summon in the High Court of Hong Kong relating to the termination of open offer and underwriting agreement on 23 June 2014 with United Simsen. United Simsen claimed against the Company for (a) the sum of HK$8,850,496.07; (b) reimbursement for all reasonable legal fees, documentation fees and other reasonable out-of-pocket expenses in respect of the open offer under the underwriting agreement; and (c) indemnity against all claims, damages, costs and expenses from the sub-underwriters under the underwriting agreement, together with interest and costs. The Company is seeking legal advice from its legal advisers to uphold the Company's rights and position relating to the termination of open offer and underwriting agreement. Details of the termination of open offer and underwriting agreement were disclosed in the Company's announcement dated on 23 June 2014. No provision is made in the current financial period.

Contingent Liabilities

Save as the litigation disclosed above, the Group had no other material contingent liabilities as at 30 June 2014 and 2013.

Employee Information

As at 30 June 2014, the Group had a total workforce of 40 (2013: 46). The Group remunerates its employees based on their work performance, working experiences, professional qualifications and the prevailing market practice.

Prospects

Natural Resource Industries

The Group has been seeking investment opportunities from time to time to broaden the Group's sources of income. The success of the Acquisition of the Totalbuild Investments Group in 2011 enables the Group to diversify its business into natural resources business. Although the delay in the production plan of oil/gas in Xinjiang will delay the return for the capital investment in oil and gas 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.

Sales of Food and Beverages Business

It is expected that the sales of food and beverages business will still generate stable revenue, we will take a very cautious approach to manage its operation and implement a tighter costs control in the near 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 2014.

CORPORATE GOVERNANCE PRACTICES

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

The Stock Exchange has promulgated the code provisions on Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules. Throughout the six months ended 30 June 2014, the Group has complied itself with all CG Code and Report except for the following:

a. 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. Up to the date of this announcement, the chairman of the Board is vacated and Mr. Zhao Guoqiang is the CEO.

b. Under Paragraph E.1.2 of the CG Code, the chairman of the Board should attend the AGM. However, the position of chairman is currently vacated. Other Directors have attended the AGM and were prepared to answer questions from shareholders at the AGM. The Company will periodically review its corporate governance practices to ensure that the Company is in compliance with the requirements of the CG Code.

c. A.4.1 and A.4.2 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election while all directors should be subject to retirement by rotation at least once every three years. For the period 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.

d. A.6.7 of the CG Code, Mr. Sun Xiaoli and Mr. Wang Yongguang, the independent non-executive directors, were unable to attend the AGM of the Company held on 25 June 2014 as they were out of town for other businesses.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 2014 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 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 2014 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 and Executive Director

Hong Kong, 29 August 2014

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