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 2015

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 2015 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 2015

		Unaudited six months ended 30 June	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**5,399**	20,074
Other income	*4*	**6**	22
Cost of inventories consumed		**(5,281)**	(17,877)
Staff costs		**(4,255)**	(4,965)
Operating lease rentals		**(1,104)**	(2,845)
Depreciation of property, plant and equipment		**(300)**	(349)
Fuel costs and utility expenses		**(96)**	(227)
Gain on disposal of financial assets held for trading		**1,901**	–
Fair value gain of financial assets held for trading		**4,187**	4,585
Impairment of intangible assets	*11*	**(129,797)**	–
Gain on reversal of impairment of loan receivable		**9,113**	–
Gain on cancellation of convertible notes	*15*	**92,459**	–
Other operating expenses		**(6,470)**	(8,142)
Finance costs		**(6,551)**	(6,560)
Loss before income tax	*5*	**(40,789)**	(16,284)
Income tax credits	*6*	**456**	1,111
Loss for the period		**(40,333)**	(15,173)

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
For the six months ended 30 June 2015

		Unaudited six months ended 30 June	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**–**	(106,953)
Total comprehensive income for the period		**(40,333)**	(122,126)
Loss for the period attributable to:			
Owners of the Company		**(40,333)**	(15,173)
Non-controlling interests		**–**	–
		(40,333)	(15,173)
Total comprehensive income attributable to:			
Owners of the Company		**(40,333)**	(122,126)
Non-controlling interests		**–**	–
		(40,333)	(122,126)
Loss per share	*8*		
— Basic (HK cents)		**(0.42)**	(0.19)
— Diluted (HK cents)		**(0.42)**	(0.19)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	Unaudited 30 June 2015 HK$'000	Audited 31 December 2014 HK$'000
Non-current assets			
Property, plant and equipment	9	**4,697**	3,033
Exploration and evaluation assets	10	**724,908**	724,908
Intangible assets	11	**2,864,892**	2,994,689
Deferred tax assets		**92,292**	91,836
		3,686,789	3,814,466
Current assets			
Trade receivables	12	**2,324**	–
Financial assets held for trading		**72,471**	1,171
Other receivables, deposits and prepayments		**6,300**	6,269
Amounts due from related companies	13	**9,105**	7,196
Cash and bank balances		**299,014**	370,735
		389,214	385,371
Total assets		**4,076,003**	4,199,837
Current liabilities			
Trade payables	14	**2,889**	2,889
Other payables and accruals		**478,297**	475,890
Amount due to a shareholder	13	**40,402**	40,402
		521,588	519,181
Net current liabilities		**(132,374)**	(133,810)
Total assets less current liabilities		**3,554,415**	3,680,656

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2015

	Notes	**Unaudited 30 June 2015 HK$'000**	Audited 31 December 2014 HK$'000
Non-current liabilities			
Convertible notes	*15*	**49,576**	135,484
Deferred tax liabilities		**53**	53
		49,629	135,537
Net Assets		**3,504,786**	3,545,119
Equity			
Share capital	*16*	**475,267**	475,267
Reserves		**3,028,766**	3,069,099
Attributable to owners of the Company		**3,504,033**	3,544,366
Non-controlling interests		**753**	753
Total equity		**3,504,786**	3,545,119

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$40,333,000 and at the end of reporting period, its current liabilities exceeded its current assets by HK$132,374,000. 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. At present, the negotiation of the Gas Sales Agreement ("**GSA**") with China National Petroleum Corporation ("**CNPC**") has yet to come to any conclusion.

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. Subject to the finalisation of the GSA, 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. 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. The 2nd natural gas sharing proposal is discussed and agreed by the joint management committee at 3 March 2015 (the "**2nd Proposal**") which cover the natural gas from pilot-production which was delivered and sold during the year ended 31 December 2014. At present, the Group has yet to receive the proposed distribution from the above proposals. The unit price in the proposals 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 is signed.

The directors have carried out a detailed review of the cash flow forecast of the Group for the twelve months ending 30 June 2016 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.

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 2014. 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 2014 with addition for the following amendments and interpretations (the "**HKFRSs**") issued by the HKICPA, which have become effective.

Annual Improvements to HKFRSs 2010–2012 Cycle	Improvements to HKFRSs
Annual Improvements to HKFRSs 2011–2013 Cycle	Improvements to HKFRSs

The Group has adopted of the new and revised standards and interpretations issued by the HKICPA that are effective for the accounting period beginning on 1 January 2015. The adoption of these new and revised HKFRSs has no material impact on the Group's unaudited condensed consolidated financial statements.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective. 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 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.

The segment information provided to the Board for the reportable segments for the six months ended 30 June 2015 and 2014 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 2015			
Revenue from external customers	**–**	**5,399**	**5,399**
Reportable segment loss before tax expenses	**(137,128)**	**(779)**	**(137,907)**
Segment results included:			
Interest income	**2**	**–**	**2**
Depreciation	**281**	**19**	**300**
Additions to non-current assets	**–**	**1,964**	**1,964**
Reportable segment assets	**3,796,582**	**13,486**	**3,810,068**
Reportable segment liabilities	**(469,451)**	**(7,116)**	**(476,567)**

	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)

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

	Unaudited six months ended 30 June 2015 *HK$'000*	2014 *HK$'000*
Loss before income tax		
Reportable segment loss before income tax	**(137,907)**	(8,166)
Other income	**3**	–
Gain on disposal of financial assets held for trading	**1,901**	–
Fair value gain of financial assets held for trading	**4,187**	4,585
Gain on reversal of impairment of loan receivable	**9,113**	–
Gain on cancellation of convertible notes	**92,459**	–
Finance costs	**(6,551)**	(6,560)
Unallocated head office and corporate expenses	**(3,994)**	(6,143)
Loss before income tax	**(40,789)**	(16,284)

	Unaudited 30 June 2015 *HK$'000*	Audited 31 December 2014 *HK$'000*
Assets		
Reportable segment assets	**3,810,068**	3,936,711
Deferred tax assets	**92,292**	91,836
Other receivables, deposits and prepayments	**1,000**	48
Financial assets held for trading	**72,471**	1,171
Unallocated head office and corporate assets	**100,172**	170,071
Total assets	**4,076,003**	4,199,837

	Unaudited 30 June 2015 *HK$'000*	Audited 31 December 2014 *HK$'000*
Liabilities		
Reportable segment liabilities	**476,567**	472,999
Deferred tax liabilities	**53**	53
Convertible notes	**49,576**	135,484
Amount due to a shareholder	**40,402**	40,402
Unallocated head office and corporate liabilities	**4,619**	5,780
Total liabilities	**571,217**	654,718

4. OTHER INCOME

	Unaudited six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Bank interest income	**6**	22

5. LOSS BEFORE INCOME TAX

	Unaudited six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Loss before income tax is arrived at after charging:		
Cost of inventories consumed	**5,281**	17,877
Depreciation of property, plant and equipment	**300**	349
Staff costs (including directors remuneration)		
— Wages and salaries and other benefits	**4,214**	4,900
— Pension fund contributions	**41**	65
	4,255	4,965
Operating lease rentals		
— Related companies	**–**	330
— Third Parties	**1,104**	2,515
	1,104	2,845

6. INCOME TAX CREDITS

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

	Unaudited six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Deferred tax	**456**	1,111

No provision for Hong Kong profits tax has been made as the Group had unused tax losses brought forward for both periods. People's Republic of China (the "**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 2015 (2014: 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	
	2015	2014
	HK$'000	*HK$'000*
Loss attributable to owners of the Company	**40,333**	15,173
	Number of Shares	
Weighted average number of ordinary shares in issue	**9,505,344,000**	7,921,120,000
	HK Cents	
Basic loss per share	**0.42**	0.19

(b) Diluted

Diluted loss per share is the same as basic loss per share for six months period ended 30 June 2015 and 2014 as the potential ordinary shares on convertible notes are anti-dilutive.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired property, plant and equipment at the cost of approximately HK$1,964,000 (2014: HK$31,000).

10. EXPLORATION AND EVALUATION ASSETS

During the six months ended 30 June 2015, the Group did not purchase any exploration and evaluation assets.

11. INTANGIBLE ASSETS

During the six months period ended 30 June 2015, 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 2015 and 2014.

Impairment loss of intangible assets HK$129,797,000 was recognised during the period as the carrying amount of the intangible assets exceeds the recoverable amount. The recoverable amount was determined with relevance to the revaluation report produced by an independent valuer.

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
	2015	2014
	HK$'000	*HK$'000*
Current to 3 months	**2,324**	–

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 related companies are unsecured, interest free and repayable on demand; and 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
	2015	2014
	HK$'000	*HK$'000*
Over 1 year	**2,889**	2,889

15. CONVERTIBLE NOTES

As a result of the acquisition of Totalbuild Investment Group (Hong Kong) Limited (the "**Totalbuild Transaction**"), the Company has issued convertible bonds in principal amount of HK$2,558,000,000 carrying right to convert to shares of the Company ("**Shares**") at the conversion price of HK$0.168 each ("**Tranche I Convertible Notes**") to U.K. Prolific Petroleum Group Company Limited ("**UK Prolific**"), which was nominated by the vendor in Totalbuild Transaction (the "**Vendor**") to be the allottee of such bonds. In accordance with the terms of Totalbuild Transaction, a principal amount of HK$1,279,000,000 (the "**Shortfall Notes**") out of the Tranche I Convertible Notes was deposited with an escrow agent which should only be released to the Vendor (or UK Prolific as the Vendor may direct) if the Company receives a written certificate issued by the competent evaluator confirming that the "First Designated Area" (as defined in the Company's circular dated 3 December 2010) can be evaluated on the basis of "Unrisked Economic Evaluation" (as defined in the Circular) on or before 31 May 2015.

No such written certificate was received by the Company on or before 31 May 2015. Under the terms of Totalbuild Transaction, the Shortfall Notes have been returned to the Company for cancellation. The gain of HK$92,459,000 was recorded as the result of the cancellation of Shortfall 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 2014 and 1 January 2015	135,484	2,005,233
Interest expenses	6,551	–
Cancellation of convertible notes	(92,459)	(1,309,405)
As 30 June 2015	49,576	695,828

16. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorized:		
Ordinary shares of HK$0.05 each		
At 31 December 2014 and 30 June 2015	25,000,000,000	1,250,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
At 31 December 2014 and 30 June 2015	9,505,344,000	475,267

17. RELATED PARTY AND CONNECTED TRANSACTIONS

During the period, the Group had the following significant transactions with related parties and a connected person:

	Unaudited six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Key management personnel remuneration:		
directors — short-term employee benefits	**700**	1,124
Rental expenses paid to related companies *(note i)*	**–**	330
Sales of food to related companies *(note ii)*	**–**	19,904

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.

18 LITIGATION

Reference is made to the announcements (the "**Announcements**") of Company dated 7 June 2015, 17 June 2015, 25 June 2015, 29 June 2015 and 18 August 2015 in relation to, inter alia, the commencement of the Litigation in relation to Totalbuild Transaction against the Vendor, Mr. Wang Guoju, UK Prolific, Mr. Wang Hanning and other parties (the "**Defendants**").

As disclosed in the Announcements, the Board was recently informed that Mr. Wang Guoju was formally charged by prosecution authorities in China for (inter alia) illegal operation crime (the "**Charge**"), possibly involving allegations about improper conduct during the obtaining of the Petroleum Contract. After taking legal advice as to the remedies which should be sought by the Company to uphold its right, on 17 June 2015 (Cayman Islands time), the Company commenced legal proceedings in the Grand Court of the Cayman Islands (the "**Litigation**") against various parties including Totalbuild Investments Holdings Group Limited (the Vendor of Totalbuild Transaction), Mr. Wang Guoju (the guarantor of the Vendor), UK Prolific (the allottee of Tranche I Convertible Bonds as nominated by the Vendor) and Mr. Wang Hanning (owner and controller of UK Prolific), whereby the Company seeks, inter alia, a declaration that the acquisition agreement in relation to Totalbuild Transaction (the "**Totalbuild Agreement**") is void or, alternatively, the Company is allowed to rescind the Totalbuild Agreement, and other remedies including damages, on the basis that, inter alia, the Charge casts serious doubt over: (a) the warranties given by the Vendor and Mr. Wang Guoju in relation to the Petroleum Contract upon which the Company relied in entering into the Totalbuild Transaction; and (b) the validity of the Totalbuild Agreement by which the Company issued Tranche I Convertible Bonds to UK Prolific, and as a consequence UK Prolific's entitlement to any shareholding in the Company.

On 23 June 2015 (Cayman Islands time),upon the Company's application, the Grand Court of the Cayman Islands made an injunction order that until the determination of the Company's Writ of Summons relating to the Litigation or further order of the Court (inter alia):

1. The Defendants must not (a) dispose of, transfer, deal in, or diminish the value of, or (b) exercise any rights or powers (including but not limited to voting rights in general and/or extraordinary meetings) in respect of, and/or (c) enter into any agreement to effect the above, in relation to 1.86 billion issued shares in the Company, being part of the consideration for the Totalbuild Agreement; and

2. The Defendants must not complete and/or procure the conversion of the convertible bonds representing 13,366,190,476 underlying shares in the Company, being part of the consideration for the Totalbuild Agreement.

On 13 August 2015 (Cayman Islands time), upon the Company's undertaking not to allot, issue or deal with additional Shares or to make or grant offers, agreements or options in relation to the issuance of any additional Shares or securities (including any derivative interests in the Shares) without leave of the Court until the conclusion of the present trial relating to the Litigation or further Order, the Grand Court of the Cayman Islands made an order that the Injunction Order be continued until conclusion of the present trial relating to the Litigation or further Order, and the Company's costs of and occasioned by UK Prolific's Summons be paid by UK Prolific on the standard basis.

As the Litigation is only at a preliminary stage, the Board is not in the position to assess the possible impact on the Group's oil and gas operation and financial position. The Board will update shareholders and the public on any material development of the Litigation by way of announcement if and when appropriate. Details of the Litigation were disclosed in the Company's announcements 7 June 2015, 17 June 2015, 25 June 2015, 29 June 2015 and 18 August 2015.

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$5,399,000 (2014: HK$20,074,000), representing an decrease of 73.1% as compared to the corresponding period in 2014. The Group's turnover was derived wholly from the sales of food and beverages business segment. The exploration and production segment did not contribute any revenue to the Group during the period under review (2014: nil).

The Group recorded a loss for the six months period attributable to the owners of the Company of approximately HK$40,333,000, compared to a loss of approximately HK$15,173,000 during the corresponding period in 2014. The significant increase in loss was mainly due to the impairment loss of intangible assets in the amount of HK$129,797,000. Loss per share attributable to the owners of the Company was 0.42 HK cents (2014: 0.19 HK cents).

Business Review

Exploration and Production Segment

The Group's wholly-owned subsidiary, Totalbuild Investments Group (Hong Kong) Limited and its subsidiaries ("**Totalbuild Investments Group**") 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 "**Petroleum Contract**"). The term of the Petroleum Contract is for a term of 30 years commencing 1 June 2009.

In June 2015, the Group commenced legal actions against the vendor of Totalbuild Investments Group, as further disclosed in the section headed "Litigation" in this announcement.

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.

Despite numerous reminders and enormous efforts of the management during the period under review, up to the date of this announcement, no GSA has been signed with CNPC, and the ODP which signifies the transition from exploration period into the development period of Kashi Project and the required reserve report on the cooperation site has not been finalized. In March 2015, the Group has issued formal application to CNPC to apply for a two-year extension of the exploration period of Kashi Project beyond the original headline of 31 May 2015, as the exploration efforts in the cooperation site has not been completed and the project cannot proceed into the development period in the near future. As of the date of this announcement, the Group has not received any response from CNPC. The Group will continue to use its best efforts to make progress on Kashi Project and will seek legal advice with the view to upholding its right if and when appropriate.

Since the acquisition of Totalbuild Investments Group, pilot productions were carried out at the site. 67,890,000 (30 June 2014: 127,650,000) cubic meters of gas was extracted during the six months ended 30 June 2015. The information obtained from research and pilot production will form part of the information to be contained in the application of the ODP. The gas so produced during the pilot productions has been sold to the local customers near the site area.

As at 30 June 2015, the acquired oil/gas field has approximately estimated contingent resources of 47.4 (31 December 2014: 47.4) thousand barrels ("**Mbbl**") of oil and 11,670 (31 December 2014: 11,703) million cubic metres ("**MMm^3**") 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 the following matters: (i) there is no definitive GSA or 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 contribute any revenue and the Group is still negotiating with CNPC regarding the price term. The segment loss before income tax was approximately HK$137,128,000 (2014: HK$8,598,000). Impairment loss on intangible assets in the amount of HK$129,797,000 was recognised during the period as the carrying amount of the intangible assets exceeds the recoverable amount. The recoverable amount was determined with reference to the valuation report produced by an independent valuer. 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 be approved. 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	
	2015	2014
	HK$'000	*HK$'000*
Net sales to customers	**–**	–
Other income	**2**	21
Operating expenses	**(7,052)**	(8,304)
Depreciation	**(281)**	(315)
Impairment loss of intangible assets	**(129,797)**	–
Results of operations before income tax expenses	**(137,128)**	(8,598)

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

	Unaudited six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
Exploration cost	**–**	–

Sales of Food and Beverages Business

For the six month ended 30 June 2015, the Group recorded a turnover from the sales of food and beverages business of approximately HK$5,399,000 (2014: HK$20,074,000), representing a decrease of 73.1% as compared to the corresponding period in 2014. The segment loss before tax expenses was approximately HK$779,000 (2014: profit of HK$432,000). The significant decrease in turnover during the period was mainly due to the Group's intention to reduce reliance on the sales of food and beverage to related companies. The Group has tried to change the customer and product mix with a view to increasing diversity of this business segment and we will continue to keep track of the economic environment and review the future allocation of resources as and when required.

Financial Review

Liquidity, Financial Resources and Capital Structure

As at 30 June 2015, the Group had no outstanding interest-bearing borrowings (31 December 2014: Nil). The cash and cash equivalents of the Group were approximately HK$299,014,000 (31 December 2014: HK$370,735,000). The Group's current ratio (current assets to current liabilities) was approximately 0.75 (31 December 2014: 0.74). The ratio of total liabilities to total assets of the Group was approximately 14.0% (31 December 2014: 15.6%).

As at 30 June 2015, the Company has outstanding convertible notes in the principal amount of HK$679,670,000 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 4,045,654,761 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.

In June 2015, the Group commenced legal actions against the holder(s) of the convertible notes, as further disclosed in the section headed "Litigation" in this announcement.

Charge of Assets

None of the assets of the Group were pledged as security for any banking facilities and borrowings as at 30 June 2015 and 2014.

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$148,436,000 as at 30 June 2015 (31 December 2014: HK$148,436,000).

Contingent Liabilities

Save as any contingent liabilities which may arise from any of the litigations disclosed in this announcement, the Group had no other material contingent liabilities as at 30 June 2015 and 2014.

Employee Information

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

Prospects

Natural Resource Industries

As the litigation in relation to the Kashi Project is only in a preliminary stage, the Company will continue to closely monitor the status of the project and do what we can to uphold and protect the Company's best interest, our investment costs and our expectation on the return of the project.

Sales of Food and Beverages Business

The management has taken a cautious approach to manage the operations of the food and beverages segment. The Group will evaluate the value and performance of this segment from time to time, and continue to keep track of the economic environment and review the future allocation of resources as and when required.

Other new businesses

The Group has been seeking investment opportunities from time to time to broaden the Group's sources of income. During the period under review, the Group has established new business divisions with the view to applying for licences to engage in money-lending and securities trading and to engage in investment businesses. The Board considers that such diversification can reduce the Group's reliance on its oil and gas and food and beverages segments.

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 2015.

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 contained in Appendix 14 to the Listing Rules (the "**CG Code**"). Throughout the six months ended 30 June 2015, the Group has complied itself with all CG Code and Report except for the following:

a. In relation to 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. In relation to E.1.2 of the CG Code, the chairman of the Board should attend the AGM. However, the chairman is vacated. Other directors have attended the AGM and were prepared to answer questions from shareholders at the AGM.

c. In relation to 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. In relation to I(f) of the CG Code, the board shall comprise at least three independent non-executive directors. Following the resignation of Mr. Sun Xiaoli as an independent non-executive director on 17 June 2015, the number of independent non-executive Directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules. On 21 July 2015, Mr. Zong Ketao has been appointed as an independent non-executive director. Following the appointment of Mr. Zong, the Company has fulfilled the requirement of minimum number of independent non-executive directors under Rule 3.10(1) of the Listing Rules.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the recent changes in information of the directors are set out below:

Mr. Chui Kwong Kau has been appointed as non-executive director of Hsin Chong Construction Group Ltd. (Stock code: 404), which is listed on the Main Board of the Stock Exchange, with effect from 23 May 2015.

Mr. Fu Wing Kwok, Ewing has resigned as an Independent Non-executive Director of China New Energy Power Group Limited (stock code: 1041), which is listed on the Main Board of the Stock Exchange, with effect from 10 June 2015.

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 one non-executive director and 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 2015 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 2015 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, 31 August 2015

As at the date of this announcement, the Board comprises Mr. Zhao Guoqiang (Chief Executive Officer and alternate director to Dr. Gu Quan Rong and Mr. Wang Yongguang) and Mr. Chui Kwong Kau as executive directors; Dr. Gu Quan Rong as non-executive director; and Mr. Fu Wing Kwok, Ewing, Mr. Wang Yongguang and Mr. Zong Ketao as independent non-executive directors.