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: 228)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

The Board of Directors (the "Board") of China Energy Development Holdings Limited (the "Company") hereby announces that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2006 together with comparative figures for the year ended 31 December 2005 as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	2006 HK$'000	2005 HK$'000
Turnover	4	**213,330**	186,023
Other income	4	**671**	962
Loss on disposal of property, plant and equipment		**(736)**	(5,268)
Cost of inventories consumed		**(60,730)**	(52,642)
Staff costs		**(92,826)**	(72,869)
Operating lease rentals		**(27,403)**	(24,971)
Depreciation		**(5,303)**	(5,583)
Fuel costs and utility expenses		**(19,921)**	(18,194)
Written off of other assets		**(2,808)**	—
Other operating expenses		**(50,951)**	(26,881)
Loss from operations	5	**(46,677)**	(19,423)
Share of result from associates		**(589)**	—
Finance costs	6	**(125)**	(128)
Loss before taxation		**(47,391)**	(19,551)
Taxation	7	**—**	(2,491)
Loss for the year		**(47,391)**	(22,042)
Attributable to:			
Equity holders of the Company		**(47,390)**	(22,040)
Minority interests		**(1)**	(2)
Loss for the year		**(47,391)**	(22,042)
Dividends	8	**—**	—
Loss per share	9		
— Basic		**(1.86 cents)**	(1.99 cents)
— Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

	Notes	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Interests in associates		**8,281**	—
Property, plant and equipment		**25,133**	19,314
Other assets		**—**	2,808
Rental deposits and other deposits		**8,616**	8,146
Goodwill		**1,172**	—
		43,202	30,268
Current assets			
Inventories		**5,393**	4,502
Trade receivables	*10*	**2,401**	964
Prepayments, deposits and other receivables		**1,816**	2,378
Refundable deposits		**70,000**	100,000
Cash and bank balances		**44,742**	29,572
		124,352	137,416
Total assets		**167,554**	167,684
EQUITY			
Issued share capital		**127,695**	127,560
Reserves		**(50,677)**	(39,818)
Attributable to equity holders of the Company		**77,018**	87,742
Minority interests		**753**	754
Total equity		**77,771**	88,496

LIABILITIES			
Non-current liabilities			
Other payables		**—**	665
Bank loans		**562**	637
Deferred tax liabilities		**130**	130
Provision for long service payments		**900**	900
		1,592	2,332
Current liabilities			
Trade payables	*11*	**16,279**	13,427
Other payables and accruals		**33,440**	27,400
Amount due to a shareholder		**37,581**	35,413
Bank loans		**891**	574
Current portion of obligations under finance leases		**—**	42
		88,191	76,856
Total Liabilities		**89,783**	79,188
Total equity and total liabilities		**167,554**	167,684
Net current assets		**36,161**	60,560
Total assets less current liabilities		**79,363**	90,828

Notes

1. Basis of preparation

These financial statements have been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements for the year ended 31 December 2006 comprised the Group and the Group's interest in associates. The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that assets and liabilities in relation to derivative financial instruments are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

2. Adoption of new or amended HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretation has had no material effect on these consolidated financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKFRS — Int 4	Determining whether an Arrangement Contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 The effects of Change in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognized in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts. In prior years, financial guarantees issued by the group were disclosed as contingent liabilities in accordance with HKFRS 4, Insurance contracts and HKAS 37, Provisions, contingent liabilities and contingent assets. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon.

With effect from 1 January 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the group has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognized, less accumulated amortization, and the amount of the provision, if any, that should be recognized in accordance with HKAS 37.

The new accounting policy has been applied retrospectively by restating opening balances at 1 January 2005 and 2006 to the extent that guarantees were unexpired at those dates, with consequential adjustment to comparatives for the year ended 31 December 2005. It is not practicable to estimate the fair values and consequential effect on reported net assets of the change in accounting policies in respect of any other guarantees issued prior to 1 January 2005. The adoption of this amendment has had no material impact on these financial statements

(ii) Amendment for fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit and loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on these financial statements.

(c) HKFRS — Int 4 Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2006 and which have not been adopted in these financial statements.

The group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the company's results of operations and financial position except for the following developments may result in new or amended disclosures in the financial statement:

HKAS 1 (Amendment)	Capital Disclosure [1]
HKFRS 7	Financial Instruments: Disclosures [1]
HKFRS 8	Operating Segments [7]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [2]
HK(IFRIC)-Int 8	Scope of HKFRS 2 [3]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives [4]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment [5]
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions [6]
HK(IFRIC)-Int 12	Service Concession Arrangements [8]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 March 2006
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006
[5] Effective for annual periods beginning on or after 1 November 2006
[6] Effective for annual periods beginning on or after 1 March 2007
[7] Effective for annual periods beginning on or after 1 January 2009
[8] Effective for annual periods beginning on or after 1 January 2008

3. Segment information

No separate analysis of segment information is presented by business or geographical segments is presented as the Group's principal business comprises mainly the operation of a chain of Chinese restaurants in Hong Kong during the respective annual results period.

4. Turnover

Turnover mainly represents the receipts from restaurant operations. All significant intra-group transactions have been eliminated in the preparation of the consolidated financial statements. An analysis of the Group's turnover and other revenue is as follows:

	2006	2005
	HK$'000	*HK$'000*
Receipts from restaurant operations	**213,330**	186,023
Other revenue		
Rental income, gross	**268**	208
Sundry income	**403**	754
	671	962
Total revenue	**214,001**	186,985

5. Loss from operations

The Group's loss from operations is stated after crediting and charging the following:

	2006	2005
	HK$'000	*HK$'000*
Crediting		
Rental income, gross	**268**	208
Charging		
Auditors remuneration	**450**	380
Loss on disposal of property, plant and equipment	**736**	5,268
Cost of inventories consumed	**60,730**	52,642
Depreciation		
— Own assets	**5,303**	5,486
— Assets held under finance lease	**—**	97
Staff costs (including directors' remuneration):		
Wages and salaries and other staff benefits	**71,360**	65,434
Share-based compensation benefit	**18,646**	—
Provision for severance payment and long service payment	**—**	4,534
Pension scheme contributions	**2,820**	2,901
Minimum lease payments under operating leases on land and buildings:		
Related companies	**2,496**	2,664
Third parties	**24,907**	22,306
Legal and professional fee:		
share option granted to consultants	**14,538**	—

6. Finance costs

	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**120**	106
Interest on finance leases	**5**	22
	125	128

7. Taxation

Hong Kong profit tax has not been provided at the rate of 17.5% (2005: 17.5%) as the Group had no any assessable profits in Hong Kong during the year (2005: Nil).

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

	2006	2005
	HK$'000	*HK$'000*
Hong Kong profits tax	**—**	—
Under/(over) provision in prior year	**—**	297
Deferred taxation	**—**	2,194
	—	2,491

8. Dividends

No dividend was paid or proposed for the year ended 31 December 2006, nor has any dividend been proposed since the balance sheet date.

9. Loss per share

The calculation of basic loss per share for the year ended 31 December 2006 is based on the loss attributable to shareholders of approximately HK$47,390,000 (2005: loss of HK$22,040,000) and the weighted average of 2,551,392,329 (2005: 1,105,633,973 (as adjusted for effect of a share consolidation of every 5 shares on the completion date, which was 630,000,000 as formerly reported) ordinary shares in issue during the year.

Diluted loss per share for both years is not presented as the Company's potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share.

10. Trade receivables

Customers are usually offered a credit period ranging from one to three months. An ageing analysis of trade receivables after provision as at 31 December 2006 and 31 December 2005 is as follows:

	2006	2005
	HK$'000	*HK$'000*
Current to 3 months	**2,401**	964

The carrying amounts of trade receivables of the Group approximate to their fair values.

11. Trade payables

The ageing of the trade payables of the Group as at 31 December 2006 and 31 December 2005 is as follows:

	2006	2005
	HK$'000	*HK$'000*
Current to 3 months	**12,383**	8,968
4 to 6 months	**19**	611
Over 6 months	**3,877**	3,848
	16,279	13,427

12. Post balance sheet events

(a) On 10 January 2007, Silverwise Limited, a wholly owned subsidiary of the Group, entered into an agreement for the sale and purchase of shares in Bright Horizon Worldwide Inc. ("Bright Horizon") (the "Agreement") with Mr. Tong Seak Kan and Mr. Chang Kuo Tien ("the Vendors"). Pursuant to the Agreement, the Vendors agreed to dispose of in aggregate their 2 shares in, and the amounts owing to them by Bright Horizon to Silverwise Limited for the total consideration of HK$280 million which would be satisfied (i) as to HK$80 million in cash (subject to adjustment); and (ii) HK$200 million by the Company allotting and issuing shares in the Company at HK$1.00 each.

The above transaction was completed on 2 February 2007. Following the completion, Bright Horizon and Macau Natural Gas Company Limited ("MNG") have become wholly-owned subsidiaries of the Company. MNG is principally engaged in investment in liquefied natural gas ("LNG") business in The Macao Special Administrative Region ("Macau") of the People's Republic of China ("PRC") and other neighboring territories. It has formed a joint venture, Sinosky Energy (Holdings) Company Limited ("Sinosky") with China Petroleum & Chemical Corporation ("Sinopec"), for the purpose of carrying out relevant operations in relation to the concession of supplying and transmission of natural gas to Macau. Details of the transaction have been contained in the Company's circular to its shareholders dated 31 January 2007.

(b) On 13 March 2007, East Global International Limited ("East Global"), a company incorporated in BVI and is owned by Mr. Tong Seak Kan and Mr. Chang Kuo Tien equally, entered into the Placing Agreement with the Company and ABN AMRO Rothschild (the "Placing Agent") pursuant to which the Placing Agent agreed with East Global to use its best endeavors to place up to 270,000,000 existing shares at the price of HK$1.65 per share on behalf of East Global ("the Placing"). East Global also entered into the Subscription Agreement with the Company pursuant to which East Global agreed to subscribe for upto 270,000,000 new shares, which was equal to the number of shares that were placed by the Placing Agent (the "Subscription").

The Placing was completed on 16 March 2007 and 270,000,000 shares were successfully placed to third parties independent of the Group. East Global has subscribed for 270,000,000 new shares pursuant to the Subscription Agreement. The net proceeds of the Subscription of approximately HK$430,000,000 will be applied as to HK$400,000,000 by the Group to finance the liquefied natural gas investment of the Group as detailed in the Company's circulars to its shareholders dated 27 October 2006 and 31 January 2007 and the balance for general working capital of the Group.

Details of the Placing and Subscription have been given in the Company's announcement dated 13 March 2007.

(c) Subsequent to the balance sheet date, the remaining balances of the refundable deposits have been fully refunded to the Group.

13. Comparative figures

Comparative figure for the refundable deposits have been re-classified from non-current assets to current assets in order to confront with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results

During the reporting period, the Group achieved a turnover of HK$213 million, representing an increase of HK$27 million, as compared to last year. Gross profit remained intact as direct operating costs was escalating in parallel with revenue. Nevertheless, the loss for the year increased significantly by 114% to HK$47 million (2005: HK$22 million). This was due to the fair value of share based compensation in relation to share options granted to eligible participants pursuant to the Company's Share Option Scheme during the year recognized in income statements in accordance with HKFRS 2. The share-based compensation expenses were valued at HK$33 million and were included in staff costs and other operating expenses as to HK$19 million and HK$14 million respectively. The loss for the year before the share-based compensation expenses was HK$14 million, which reflected an improvement in bottom line by 36% as compare with the net loss of HK$22 million in last year.

Other income mainly comprised rental income and sundry income. Rental income represented receipts for sub-letting of spaces in leased premises to tele-communication network providers. Sundry income was mainly interest income, forfeited customers' deposits and other miscellaneous receipts that had no persistent trend over years.

As mentioned above, the staff costs increased merely due to the share-based compensation expenses. The level of nominal salaries and wages paid was almost the same as last year. Together with the fuel costs and utility expenses, which increased by 9% only from the previous year, demonstrated the management's effort on tighter cost control.

Other operating expenses before share-based compensation expenses amounted approximately HK$36.4 million and were increased by HK$10 million from 2005. The increment mainly due to legal, statutory and professional fees paid, reflecting the Group's increasing level of business development activities undertaken during the year.

Share of loss from newly acquired associated companies, MNG and Sinosky, amounted to HK$589,000. The commercial operation of the natural gas business of MNG and Sinosky has not yet commenced during the year. The share of loss represented the Group's share of the associates' operating and administrative expenses since completion of the acquisition.

The Restaurants Business

During the reporting period, the restaurants business was the only revenue generating activity of the Group. The Group is still operating five Chinese restaurants including:

— Hon Po Restaurant in Tokwawan;
— Hon Po Palace Restaurant in Tsim Sha Tsui;
— Jin Hua Restaurant in Mongkok;
— Jin Po Restaurant in Tsim Sha Tsui; and
— Keng Yat Heen Restaurant in the Harbour Plaza Metropolis Hotel at Hung Hom.

The restaurant business showed a remarkable recovery from 2005. Total receipt from restaurant operation rose by 15%. According to the findings of the Census and Statistics Department, the value of total receipts for the restaurants sector had increased by 9.5% in 2006. That meant the restaurants business of the Group has achieved a better than average performance in the sector. More important, the restaurant business was able to generate a positive operating cash inflow of HK$3.5 million during the year. Comparing to the net cash operating outflow of HK$16 million, the improvement over the year was gigantic and exceptional.

The decrease in unemployment rate and the increase in consumer purchasing power are favorable to the retail market conditions in Hong Kong and to the Group's restaurant business. However escalating rental for shops, growing staff costs, as well as rising oil and commodities prices were adding cost pressure to us. Our restaurants are serving the public at large. While having enjoyed years of deflation under intense competition in the restaurants sector, customers were quite resistant and sensitive to price increases. We were hard to adjust our selling prices upwards in order to offload a portion of the cost increment to our customers. As a result the gross profit margin was retained intact.

To combat intense competition, we are renovating our restaurants to deliver a new and refreshing image to customers. During the reporting period, the Group spent HK$11.2 million (2005: HK$3 million) in leasehold improvement and renovation. Hon Po Restaurant, Jin Po Restaurant and Jin Hua Restaurant had been closed during the year for some minor improvement and redecoration works. The total number of business day closed for renovation in 2006 was 92 days (2005: 75 days). After renovation, our restaurants were able to attract more banquet business, especially in the traditional good year for wedding, to drive the performance of the restaurant business.

Lease agreements for 2 restaurants in our restaurants chain were expired and have been renewed during the year. The weighted average percentage increase for rentals under the renewed lease agreements was approximately 20%.

Natural Gas Business

The natural gas business is carrying out by MNG and its 50% joint venture, Sinosky. As at 31 December 2006, MNG was an associated company of the Group. Subsequent to the year end, the Group has acquired the remaining equity interest in MNG and it becomes a wholly-owned subsidiary of the Group.

The commercial operation of the natural gas business of MNG and Sinosky has not yet commenced during the year. On 15 December 2006, Sinosky has entered into the Concession Contract with the government of Macau, pursuant to which Sinosky has been granted the concession of the public service of importation and transportation of natural gas in Macau.

During the year, the Group had equity accounted for the post acquisition operating results of MNG and Sinosky, and a share of loss of HK$589,000 was included in the consolidated income statement. The operating loss of MNG and Sinosky represented operating and administrative expenses incurred.

PROSPECTS

Restaurant Business

Although Hong Kong's economy appears to be on the way back to steady growth with improving unemployment rate and rising income level, the Chinese restaurants sector in Hong Kong is competitive due to its low entry barrier, and is still fraught with challenges under the pressure of rental hikes, rising raw material, fuel and labor costs. Many restaurants operators were unable to survive last year. Taking into account (i) possible outbreak of infectious disease like avian flux; (ii) increasing emphasis of the "user and/or polluter pays'' principle in the government budget in charging public utility services; and (iii) other factors affecting the economy like adjustments in the financial markets, the management considers that the operating environment of Chinese restaurant business is vulnerable. The Group will take a very cautious but optimistic approach to manage its Chinese restaurant operation.

In previous years, the Group had endeavored to streamline and to refresh its restaurant network. The Group will maintain the existing operation scale of its Chinese restaurant business and implement a tighter costs control in near future.

Natural Gas Business

Sinosky is in the process of preparing the construction of natural gas storage and transmission facilities, including a liquefied natural gas receiving terminal in the Huang Mao Island. It is expected that the phase 1 of the construction work will be completed by 2010 with an annual processing capacity of 3 million tones of liquefied natural gas. Nevertheless, Sinosky will start its commercial and business operations under the Concession Contract granted by the government of Macau. It will supply natural gas to power plants in Macau by trucks or other channel in the 4th quarter of 2007. The Group will incorporate 50%, that is the Group's effective interest, of the operating results of Sinosky in its consolidated financial statements in the forthcoming years.

Environmental protection is one of the major concerns of the PRC, Hong Kong and Macau governments. It is generally perceived that coal-fired electricity power plants are a significant source of air pollution and wastage in the Southern China region. According to the 11th Five-Year National Economic and Social Development Plan issued by the State Council of the PRC, certain small-scale coal-fired electricity power plants will be required to be gradually closed down or modified to reduce pollutants emitted to air. Natural gas, which burns more efficient and cleaner than coal, appears to be a very fine substitute and complement to coal. The popularity of and demand for natural gas is growing substantially in Southern China. For example, in year 2006, The Hong Kong and China Gas Company Limited has introduced natural gas from the Guangdong Liquefied Natural Gas Terminal to Hong Kong to partially replace naphtha as feedstock for the production of town gas.

The management is very confident about the future development of the natural gas project of Sinosky. The confidence is built on the fact that the project is one of the very few similar projects in Southern China that have obtained all required concessions, permits and approvals from all relevant official authorities. The strong background of MNG's joint venture partner also adds ample competitive edge to the natural gas business of Sinosky. The Group will allocate sufficient resources to the natural gas business in the near future.

The future plan of the Group is to concentrate its business development in the field of energy and resources and related business. The Group will continue to focus on identifying acquisition targets that are a strategic fit to the Group. The Group will also continue to promote good corporate governance practices and strive to achieve a high standards and transparency.

Liquidity, financial resources and capital structure

As at 31 December 2006, the Group had outstanding bank borrowings and finance lease payables denominated in Hong Kong dollars with an aggregate amount of HK$1,453,000 (31 December 2005: HK$1,253,000). The cash and bank balances of the Group amounted to HK$44,742,000 (31 December 2005: HK$29,572,000).

The short-term borrowings of the Group accounted for 61.32% (31 December 2005: 49.16%) of the total borrowings at 31 December 2006.

The interest expenses of the Group for the current period were HK$125,000 (31 December 2005: HK$128,000).

As at 31 December 2006, the ratio of total liabilities to total assets of the Group was 53.58% (31 December 2005: 47.22%).

Pledge of assets

As at 31 December 2006 and 31 December 2005, there were no leasehold land and buildings and investment properties of the Group pledged as security for bank loans.

Exchange exposure

Since most of our sales, purchases of raw materials, bank borrowings and cash and bank balances were denominated in Hong Kong dollars during the relevant periods, the Group was only exposed to insignificant exchange risks.

Capital commitments

As at 31 December 2006, neither the Group nor the Company had any capital commitment. Depending on the future development of the LNG business of Sinosky, additional funding, the amount of which cannot be ascertained at present, may be required and it is expected Sinosky may carry out project financing on its own for investment in its LNG business if necessary. The expected capital investments by Sinosky on LNG business to be approximately MOP8,000 million (equivalent to approximately HK$7,760 million) and it is expected that approximately of 80% of the capital investments to be financed by Sinosky's level project financing in form of loan facility while the remaining 20% to be financed by the shareholders of Sinosky.

Contingent liabilities

As at 31 December 2006, except for the corporate guarantee given by the Company in support of banking facilities granted to a subsidiary and the corporate guarantee for operating lease commitment of a wholly-owned subsidiary, the Company has no other significant contingent liabilities.

Employee information

As at 31 December 2006, the Group had a total workforce of 518 (2005: 474). The salary and wages of our employees are dependent on their duties and performance.

CHANGE OF COMPANY'S NAME

During the year, the name of the Company has been changed from "Hon Po Group (Lobster King) Limited" to "China Energy Development Holdings Limited" and for identification purpose only, a new Chinese name of "中國能源開發控股有限公司" has also been adopted by the Company to replace "漢寶集團(龍蝦大王)有限公司". The change of company name was approved by shareholders in general meeting on 17 November 2006. The Board considered that the new name would benefit the Company's future business development and diversification into the energy sector.

MATERIAL ACQUISITIONS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

In November 2006, The Group completed the acquisition of the entire issued share capital of Achieve Smart Finance Limited, which owns 40% of the registered capital of MNG. The consideration for the acquisition of HK$10 million was satisfied by cash and financed by the Group's internal resources. Details of the transaction were contained in the Company's circular to its shareholders dated 27 October 2006.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the relevant periods neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's list securities.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance in fulfilling its responsibilities to shareholders.

The Stock Exchange has promulgated the Code on Corporate Governance Practices (the "Code") which came into effect in January, 2005. During the year, the Company has complied itself with all the code provision of the Code except the following:

Pursuant to A4.1 and A4.2 of the Code, those 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.

All independent non-executive directors of the Company are not appointed for a specific term but they are still subject to rotation in line with the articles of association of the Company.

Pursuant to the Article of Association of the Company, the Chairman of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. In order to ensure the smooth running and continuous adhering to the strategic view of the Company, the Board believes that the position of Chairman is more practical to be maintained and not to be subject to retirement by rotation.

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 during the year.

AUDIT COMMITTEE

In accordance with the requirements of the Listing Rules, the Group established an audit committee comprising three independent non-executive directors of the Company. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2006, including principles and practices adopted by the Group, in conjunction with the Company's external auditors. The financial information set out in this announcement represents an extract from the audited consolidated financial statements, and has been reviewed by the Company's auditors, CCIF CPA Limited.

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 which describe the authority and duties of the Remuneration Committee which in line with the Code were prepared and adopted. The Remuneration Committee, comprises three independent non-executive directors, namely Mr. Chang Kin Man, Mr. Ip Wing Lun and Mr. Zhong Yuan.

DISCLOSURE OF FULL INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

All the information of the annual results of the Group for the year ended 31 December 2006 required by paragraphs 45(1) to 45(3) inclusive of appendix 16 to the Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board
China Energy Development Holdings Limited
Tong Seak Kan
Chairman and Executive Director

Hong Kong, 23 April 2007

As at the date of this announcement, the Board of the Company comprises Mr. Tong Seak Kan, Mr. Chan Shi Yung, Mr. Chui Kwong Kau, Mr. Chan Wai Keung and Mr. Chang Kuo Tien as Executive Directors; Mr. Wang Xiang Jun as Non-Executive Director; and Mr. Chang Kin Man, Mr. Ip Wing Lun and Mr. Zhong Yuan as Independent Non-Executive Directors.

Please also refer to the published version of this announcement in the China Daily.