HKE
香港新能源

HONG KONG ENERGY (HOLDINGS) LIMITED
香港新能源(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 987)

(website: www.hkenergy.com.hk)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2008

HIGHLIGHTS

- Loss attributable to equity holders HK$89.7 million in 2008
- The Group's cash as at 31st December 2008 was HK$289.1 million. Cash per share as at 31st December 2008 was HK37.9 cents
- Net asset value per share was HK40.4 cents in 2008
- Bonus issue of warrants to the shareholders on the basis of one bonus warrant for every 10 shares held and the subscription price will be determined on 22nd April 2009 at a discount to the average closing price of the shares for certain period.

The board of directors (the "Board") of Hong Kong Energy (Holdings) Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31st December 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2008

		Continuing operations		Discontinued operations		Total	
		2008	2007	**2008**	2007	**2008**	2007
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenues	3	**13,877**	–	**–**	654,010	**13,877**	654,010
Cost of sales	5	**(5,889)**	–	**–**	(581,641)	**(5,889)**	(581,641)
Gross profit		**7,988**	–	**–**	72,369	**7,988**	72,369
Selling and distribution costs	5	**(2,914)**	(1,161)	**–**	(11,988)	**(2,914)**	(13,149)
Administrative expenses	5	**(50,964)**	(12,752)	**–**	(34,533)	**(50,964)**	(47,285)
Other expenses	4	**(58,694)**	–	**–**	–	**(58,694)**	–
Operating (loss)/profit		**(104,584)**	(13,913)	**–**	25,848	**(104,584)**	11,935
Finance income	6	**3,074**	21	**–**	207	**3,074**	228
Finance costs	6	**(160)**	(1,007)	**–**	(2,505)	**(160)**	(3,512)
Finance income/(costs) – net	6	**2,914**	(986)	**–**	(2,298)	**2,914**	(3,284)
Share of loss of an associated company		**–**	(909)	**–**	–	**–**	(909)
(Loss)/profit before income tax		**(101,670)**	(15,808)	**–**	23,550	**(101,670)**	7,742
Income tax credit	7	**6,963**	–	**–**	10,903	**6,963**	10,903
(Loss)/profit after income tax		**(94,707)**	(15,808)	**–**	34,453	**(94,707)**	18,645
Gain on disposal of subsidiaries		**–**	–	**–**	209,817	**–**	209,817
(Loss)/profit for the year		**(94,707)**	(15,808)	**–**	244,270	**(94,707)**	228,462
Attributable to:							
Equity holders of the Company		**(89,720)**	(15,808)	**–**	244,270	**(89,720)**	228,462
Minority interest		**(4,987)**	–	**–**	–	**(4,987)**	–
		(94,707)	(15,808)	**–**	244,270	**(94,707)**	228,462
Dividends	9	**–**	–	**–**	–	**–**	–
(Loss)/earnings per share (HK cents) – Basic and diluted	8	**(11.75)**	(2.07)	**–**	31.99	**(11.75)**	29.92

CONSOLIDATED BALANCE SHEET
As at 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**762**	1,785
Other intangible assets		**35,557**	30,849
Goodwill		**–**	42,044
Deferred income tax assets		**203**	–
Total non-current assets		**36,522**	74,678
Current assets			
Trade and other receivables	*10*	**2,383**	2,431
Tax recoverable		**–**	345
Cash and cash equivalents		**289,095**	344,558
Total current assets		**291,478**	347,334
Total assets		**328,000**	422,012
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**7,635**	7,635
Reserves		**301,176**	389,811
Equity attributable to equity holders of the Company		**308,811**	397,446
Minority interest		**13,913**	–
Total equity		**322,724**	397,446
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**1,709**	7,414
Current liabilities			
Other payables		**3,520**	7,362
Current income tax liabilities		**47**	1,210
Borrowing		**–**	8,580
Total current liabilities		**3,567**	17,152
Total liabilities		**5,276**	24,566
Total equity and liabilities		**328,000**	422,012
Net current assets		**287,911**	330,182
Total assets less current liabilities		**324,433**	404,860

NOTES

1. GENERAL INFORMATION

Hong Kong Energy (Holdings) Limited ("the Company" or "HKE"), formerly known as J.I.C. Technology Company Limited, is an exempted company incorporated in the Cayman Islands with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

On 10th April 2008, HKC (Holdings) Limited ("HKC"), a company incorporated in Bermuda and listed on the Stock Exchange, acquired 74.99% of the shares of HKE through a wholly-owned subsidiary, Noble Quest Enterprises Limited, and HKC became the ultimate holding company of the Company.

The Company and its subsidiaries (together "the Group") are principally engaged in alternative energy business and software development business in 2008. The Group has ceased and disposed of the manufacturing and distribution of liquid crystal display ("LCD") on 31st December 2007.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$ thousand or HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 15th April 2009.

2. BASIS OF PREPARATION

The consolidated financial statements of Hong Kong Energy (Holdings) Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention.

In 2008, the Group adopted the following amendments which are relevant to its operations.

(a) Amendments effective in 2008

- HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1st July 2008. This amendment does not have any impact on the Group's financial statements, as the Group does not have such kind of financial assets.

(b) Interpretations effective in 2008 but not relevant

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1st January 2008 but are not relevant to the Group's operations:

- HK(IFRIC)-Int 11, "HKFRS 2 – Group and Treasury Share Transactions"
- HK(IFRIC)-Int 12, "Service Concession Arrangements"
- HK(IFRIC)-Int 14, "HKAS 19 – The Limit On a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

(c) Standards, amendments and interpretations to existing standards that are not yet effective for the year ended 31st December 2008 and have not been early adopted by the Group

New or revised standards, interpretations and amendments		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	"Presentation of Financial Statements"	1st January 2009
HKAS 23 (Revised)	"Borrowing Costs"	1st January 2009
HKAS 27 (Revised)	"Consolidated and Separate Financial Statements"	1st July 2009
HKAS 32 and HKAS 1 Amendments	"Puttable Financial Instruments and Obligations Arising on Liquidation"	1st January 2009
HKAS 39 (amendment)	"Financial Instruments: Recognition and Measurement – Eligible hedged items"	1st July 2009
HKFRS 1 and HKAS 27 Amendments	"Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"	1st January 2009
HKFRS 2 Amendment	"Share-based Payment Vesting Conditions and Cancellations"	1st January 2009
HKFRS 3 (Revised)	"Business Combinations"	1st July 2009
HKFRS 8	"Operating Segments"	1st January 2009
HK(IFRIC)-Int 13	"Customer Loyalty Programmes"	1st July 2008
HK(IFRIC)-Int 15	"Agreements for the Construction of Real Estate"	1st January 2009
HK(IFRIC)-Int 16	"Hedges of a Net Investment in a Foreign Operation"	1st October 2008
HK(IFRIC)-Int 17	"Distributions of Non-cash Assets to Owners"	1st July 2009
HK(IFRIC)-Int 18	"Transfers of Assets from Customers"	1st July 2009

Improvements to existing standards

HKAS 1 Amendment	"Presentation of Financial Statements"	1st January 2009
HKAS 16 Amendment	"Property, Plant and Equipment"	1st January 2009
HKAS 19 Amendment	"Employee Benefits"	1st January 2009
HKAS 20 Amendment	"Accounting for Government Grants and Disclosure of Government Assistance"	1st January 2009
HKAS 23 Amendment	"Borrowing Costs"	1st January 2009
HKAS 27 Amendment	"Consolidated and Separate Financial Statements"	1st January 2009
HKAS 28 Amendment	"Investments in Associates"	1st January 2009
HKAS 29 Amendment	"Financial Reporting in Hyperinflationary Economies"	1st January 2009
HKAS 31 Amendment	"Interests in Joint Ventures"	1st January 2009
HKAS 36 Amendment	"Impairment of Assets"	1st January 2009
HKAS 38 Amendment	"Intangible Assets"	1st January 2009
HKAS 39 Amendment	"Financial Instruments: Recognition and Measurement"	1st January 2009
HKAS 40 Amendment	"Investment Property"	1st January 2009
HKAS 41 Amendment	"Agriculture"	1st January 2009
HKFRS 5 Amendment	"Non-Current Assets Held for Sale and Discontinued Operations"	1st July 2009
Amendment to HKFRS 7	"Financial Instruments: Disclosure – Improving Disclosures about Financial Instrument"	1st January 2009
Amendment to HK(IFRIC)-Int 9 and HKAS 39	"Remeasurement of Embedded Derivatives and Financial Instruments: Recognition and Measurement"	1st July 2009

The Group has not early adopted the above standards, amendments and interpretations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will result.

3. SEGMENT INFORMATION

(a) Primary reporting format – business segments

Commencing from 1st January 2008, the Group is organised into two main business segments: alternative energy and software development.

The segment results for the year ended 31st December 2008 and 2007 are as follows:

	2008			2007		
	Continuing operations			Continuing operations	Discontinued operations	
	Alternative energy	**Software development** *(Note ii)*	**Group**		LCD production *(Note i)*	Group
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Revenues	**–**	**13,877**	**13,877**	–	654,010	654,010
Operating results	**(11,879)**	**(66,728)**	**(78,607)**	–	44,353	44,353
Unallocated expenses			**(25,977)**	(13,913)	(18,505)	(32,418)
Finance income/(costs) – net			**2,914**	(986)	(2,298)	(3,284)
Share of loss of an associated company			**–**	(909)	–	(909)
(Loss)/profit before income tax			**(101,670)**	(15,808)	23,550	7,742
Income tax credit			**6,963**	–	10,903	10,903
(Loss)/profit for the year			**(94,707)**	(15,808)	34,453	18,645
Depreciation	**9**	**1,167**	**1,176**	58	32,584	32,642
Amortisation	**4,200**	**6,190**	**10,390**	–	–	–
Impairment losses						
– goodwill	**–**	**42,044**	**42,044**	–	–	–
– other intangible assets	**–**	**16,650**	**16,650**	–	–	–
Capital expenditure	**31,761**	**166**	**31,927**	–	35,630	35,630

Notes:

(i) On 24th September 2007, the Group entered into a conditional sale and purchase agreement to dispose the operation of LCD manufacturing and distribution and it was completed on 31st December 2007.

(ii) The software development business was acquired by the Group on 31st December 2007.

The segment assets and liabilities as at 31st December 2008 and 2007 are as follows:

	31st December 2008			31st December 2007
	Alternative energy	**Software development**	**Total**	Software development
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Total segment assets	**43,044**	**24,933**	**67,977**	91,523
Unallocated assets				
– cash and cash equivalents			**259,820**	330,489
– deferred income tax assets			**203**	–
Total assets			**328,000**	422,012
Total segment liabilities	**2,392**	**1,128**	**3,520**	7,362
Unallocated liabilities				
– borrowing			**–**	8,580
– current income tax liabilities			**47**	1,210
– deferred income tax liabilities			**1,709**	7,414
Total liabilities			**5,276**	24,566

(b) Secondary reporting format – geographical segments

Revenue is allocated based on the region in which the customers are located. All revenue is generated from sales of services. Capital expenditure is allocated based on where the assets are located.

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Hong Kong	**–**	429,641
The PRC	**–**	197,200
Japan	**13,877**	17,888
Europe	**–**	3,380
Others	**–**	5,901
	13,877	654,010

	2008	2007
	HK$'000	*HK$'000*
Capital expenditure		
Hong Kong	**31,748**	8,020
The PRC	**179**	14,055
	31,927	22,075
Unallocated	**–**	13,555
	31,927	35,630

Total assets are allocated based on where the assets are located.

	2008	2007
	HK$'000	*HK$'000*
Segment assets		
Hong Kong	**258,279**	327,583
The PRC	**68,345**	92,908
Japan	**1,173**	1,521
Total assets	**327,797**	422,012

4. OTHER EXPENSES

	2008	2007
	HK$'000	*HK$'000*
Provision for impairment losses on		
– goodwill	**42,044**	–
– other intangible assets	**16,650**	–
	58,694	–

5. EXPENSES BY NATURE

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Provision for inventories, net	**–**	–	**–**	475	**–**	475
Auditor's remuneration	**1,219**	789	**–**	236	**1,219**	1,025
Amortisation of other intangible assets	**10,390**	–	**–**	–	**10,390**	–
Cost of inventories *(Note)*	**–**	–	**–**	581,166	**–**	581,166
Depreciation of property, plant and equipment	**1,176**	58	**–**	32,584	**1,176**	32,642
Net exchange losses/(gain)	**377**	(192)	**–**	1,259	**377**	1,067
Write back of provision for impairment loss of trade receivables	**–**	–	**–**	(424)	**–**	(424)
Loss on disposal/write off of property, plant and equipment	**4**	–	**–**	348	**4**	348
Employee benefit expenses (including directors' emoluments)	**17,662**	4,648	**–**	90,508	**17,662**	95,156
Operating lease rental	**1,563**	100	**–**	9,322	**1,563**	9,422
Research and development expenditure	**6,870**	–	**–**	13,316	**6,870**	13,316

Note: Cost of inventories recognised as expenses includes amounts relating to depreciation of property, plant and equipment, employee benefit expenses and operating lease rental, which are also included in the respective total amounts disclosed separately above.

6. FINANCE INCOME AND COSTS

	2008	2007
	HK$'000	*HK$'000*
Finance costs:		
Interest expenses on bank borrowings		
– wholly repayable within 5 years	**(160)**	(3,512)
Finance income:		
– interest income on bank deposits	**3,074**	228
Net finance income/(costs)	**2,914**	(3,284)

7. INCOME TAX CREDIT

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the year (2007: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2008	2007
	HK$'000	*HK$'000*
Current income tax		
Overseas taxation	**37**	–
(Over)/under provision in prior years	**(1,092)**	1,981
Deferred income tax credit	**(5,908)**	(12,884)
Income tax credit	**(6,963)**	(10,903)

8. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
(Loss)/profit attributable to equity holders of the Company (HK$ thousand)	**(89,720)**	228,462
Weighted average number of ordinary shares in issue	**763,534,755**	763,534,755
Basic (loss)/earnings per share (HK cents per share)	**(11.75)**	29.92

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential shares in issue for the year ended 31st December 2008 and 2007.

9. DIVIDENDS

No dividend was proposed and paid for the year ended 31st December 2008 (2007: Nil).

10. TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**1,686**	1,521
Other receivables	**697**	910
	2,383	2,431

At 31st December 2008 and 2007, the ageing analysis of trade receivables are as follows:

	2008	2007
	HK$'000	*HK$'000*
Less than 30 days	**1,686**	1,365
30 days to less than 60 days	**–**	156
	1,686	1,521

The Group's policy is to allow credit periods ranging from 30 days to 90 days (2007: 30 days to 90 days) to its trade customers.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31st December 2008, the turnover for Hong Kong Energy (Holdings) Limited ("HKE" or "the Company", with its subsidiary companies, collectively, the "Group") amounted to HK$13.88 million, a decrease of 98% from HK$654.01 million in 2007. Gross profit for the year of HK$7.99 million represented a decrease of 89% from last year's gross profit of HK$72.37 million. Net loss attributable to equity holders of the Group amounted to HK$89.72 million for the year, as compared to the net profit of HK$228.46 million achieved in 2007. The decrease in turnover and gross profit was primarily due to discontinuation of the Group's LCD business, which had been the Group's principal business in 2007. In December 2007, the Group acquired a software development business, albeit of a significantly smaller scale. Since early 2008, the Group began investing in alternative energy projects, but as at 31st December 2008 these remain at the early stage and are yet to generate revenue for the Group. Meanwhile, the management has reviewed the carrying amounts of goodwill and intangible assets related to the software development business and made a provision for impairment losses, details of which are set out in Note 4. For the year ended 31st December 2008, basic loss per share amounted to HK11.75 cents (2007: basic earnings per share of HK29.92 cents).

Liquidity and Financial Resources

As at 31st December 2008 the Group does not have any borrowings as compared with HK$8.58 million as at 31st December 2007. This was the result of the Group repaying all borrowings during 2008.

The Group's wholly unrestricted cash and cash equivalents as at 31st December 2008 was HK$289.10 million, a decrease from HK$344.56 million in 2007. For its alternative energy projects, the Group expects total capital expenditures HK$506.81 million, of which HK$110.01 million has already been arranged and will be injected from the Group's internal resources into an associated company. The timing on injecting the remaining HK$396.80 million of capital expenditure is under the control of the Group. Apart from internal sources of funding, the Group is actively seeking funds to finance its future capital expenditure commitment from external sources, such as bank financing, or, if necessary, financial support from its parent company HKC (Holdings) Limited ("HKC") (stock code: 190).

The Group will continue its efforts to create an optimum financial structure that best reflects the long-term interest of its shareholders

The Group did not use financial instruments for financial hedging purposes during the year under review.

Details of Charges in Group Assets

During the year under review, the Group did not have any charges over the Group's assets (2007: Nil).

Gearing ratio

The Group maintained a cash position of HK$289.10 million as at 31st December 2008 with no borrowing, compared with a net cash position of HK$335.98 million as at 31st December 2007.

Contingent Liabilities

The Group did not have any contingent liabilities as at 31st December 2008 (2007: Nil).

BUSINESS REVIEW

The Group's Lunaobao Wind Farm project has moved forward steadily since the framework agreement with a subsidiary of China Energy Conservation Investment Corporation ("CECIC") was first signed on 18th April 2008. The Group holds a 30% interest in this project. On 17th July 2008, the National Development and Reform Commission ("NDRC") granted approval for the project to proceed, and on 3rd February 2009, a business license has been obtained for setting up the project company. The project will involve construction of a 100.5 MW plant with 67 sets of 1,500 kW wind turbines, and total investment will amount to about RMB950.78 million. The target operation date is expected to be 2010.

There are other wind farm projects that are under review. One is Siziwang Qi in Inner Mongolia. The Group is applying to the NDRC for approval to develop a 49.5 MW wind farm that will have 33 sets of 1,500 kW wind turbines. Total investment is expected to be around RMB480.5 million. This project covers only a small part of the 980 sq.km. land area in Siziwang Qi that HKE's parent company, HKC, has the exclusive development rights to. If the total area was developed, total wind capacity could reach 1,000 MW. There are, therefore, good prospects for the Group to construct further phases of wind farm in this location in the future.

A further promising wind farm project was initiated in the second half of 2008. On 5 September 2008, the Group signed a framework agreement with a subsidiary of CECIC to develop a wind farm at Changma, in Gansu Province. The wind farm will have a target capacity of 201MW; details of the development timetable have yet to be finalized.

Besides these three wind power projects, the Group is also involved in a pilot project for the production of cellulosic ethanol, an alternative fuel. It signed a technology transfer and co-operation agreement with GeneHarbor (Hong Kong) Technologies Ltd in April 2008. The pilot plant, located in Jiangmen, was set up in the second half of 2008. Testing is currently taking place at the plant, with tests scheduled to be completed during 2009.

Outlook

The global financial crisis is expected to impact world markets in 2009. With domestic demand for goods in developed countries decreasing, exports of commodities and services from developing countries are likely to be significantly hit. From the Group's perspective, its software business is likely to be affected by these global trends. However, the Group's products are fundamentally sound and have good long-term potential. The Group intends to use the projected downturn to focus on consolidating its product range and customer base. At the same time the Group will develop and test new products such as navigation engines and global positioning systems. In this way the Group will maintain its competitiveness and will be ready to capture new markets as the economy recovers.

The Chinese government's ongoing commitment to cutting pollution and reducing reliance on fossil fuels should mean that the financial crisis has relatively less of an impact on the Group's alternative energy business. This fact, in conjunction with the Group's careful investment and cost-cutting strategies over the next year or so, should mean that the true value of its wind farms and other alternative energy investments will reassert themselves in the not too distant future.

Employees

As at the end of December 2008, the Group's operations in Hong Kong and mainland China employed a total of 86 employees. The Group also appointed technical consultants on contract terms for its alternative energy projects and sales consultants for its software business. All employees are remunerated according to the nature of their jobs, their individual performances, the Group's overall performance, and the prevailing marketing conditions.

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31st December 2008 (2007: Nil).

BONUS ISSUE OF WARRANTS

The Board proposes to make a bonus issue of warrants to its Shareholders whose names appear on the register of members of the Company on 30th April 2009 on the basis of 1 bonus warrant for every 10 shares held. The subscription price will be determined by the Board on 22nd April 2009 at a discount to the average closing price of the shares for the 5 consecutive trading days (up to and including 22nd April 2009). For details, please refer to the full announcement of the Company dated 15th April 2009 which is separately published on the websites of the Company and the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December 2008.

INTERNAL CONTROL

The Group has had in place an integrated framework of internal controls which is consistent with the Committee of Sponsoring Organisations of the Treadway Commission's framework. Under the framework, the management is primarily responsible for the design, implementation and maintenance of internal controls while the Board and its audit committee oversee the actions of the management and monitor the effectiveness of the controls that have been put in place.

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The Internal Control and Risk Management ("ICRM") department conducts reviews of the effectiveness of the Group's system of internal controls, including those of its subsidiaries. The Board and the Audit Committee review the findings and recommendations of the ICRM department in the effectiveness after such reviews.

In respect of the year ended 31st December 2008, the Board considered the internal controls system effective and adequate.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has applied the principles and complied with the code provisions (the "Code Provisions") and recommended best practices set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31st December 2008, except the Code Provisions A.2.1 and A.4.1.

Under the Code Provision A.2.1., the roles of chairman and chief executive officer ("CEO") should be separate and performed by different individuals. Under the current organization structure of the Company, the functions of CEO are performed by the Chairman, Mr. Oei Kang, Eric, with support from other Executive Directors and senior management. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company, and has been effective in discharging its responsibilities satisfactorily and facilitating the Company's operation and business development. The Board will review the structure from time to time to ensure it continues to meet the principle and will consider segregation of the roles of chairman and CEO if and when appropriate.

Under the Code Provision A.4.1, non-executive directors should be appointed for specific term and subject to re-election. However, all Non-executive Directors of the Company were appointed with no specific term, but are subject to the rotation requirement in the Company's articles of association.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31st December 2008.

The Company has also adopted a code for dealing in the Company's securities by relevant employees, who are likely to be in possession of unpublished price-sensitive information in relation to the securities of the Group, on no less exacting terms than the Model Code.

AUDIT COMMITTEE

The Company had established an Audit Committee with written terms of reference which have been updated from time to time to align with the code provisions set out in the CG Code. The Audit Committee, chaired by an Independent Non-executive Director, comprises three members namely Mr. ZHANG Songyi, Mr. TANG Siu Kui, Ernest and Mr. YU Hon To, David, all of whom are Independent Non-executive Directors.

The audit committee has reviewed the Group's annual results for the year ended 31st December 2008.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the announcement of the Group's results for the year ended 31st December 2008 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.hkenergy.com.hk) and the Stock Exchange (www.hkexnews.hk). The 2008 annual report containing all the information required by the Listing Rules will be published on the above websites and dispatched to the shareholders in due course.

By Order of the Board
Hong Kong Energy (Holdings) Limited
TSANG Sai Chung, Kirk
Company Secretary

Hong Kong, 15th April 2009

As at the date hereof, the Board comprises eight Directors of which Mr. Oei Kang, Eric, Mr. Tsang Sai Chung, Kirk, Mr. Chan Kwok Fong, Joseph and Mr. Leung Wing Sum, Samuel are executive Directors; Mr. Liu Zhixin is a non-executive Director; and Mr. Zhang Songyi, Mr. Tang Siu Kui, Ernest and Mr. Yu Hon To, David are independent non-executive Directors.