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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.hkenenergy.com.hk)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2009

The Board of Directors (“the Board”) of Hong Kong Energy (Holdings) Limited (“the Company” or “HKE”) wishes to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively, “the Group”) for the six months ended 30th June 2009 together with the comparative figures as follows:–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2009

		Unaudited	
		Six months ended	
		2009	2008
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenues	4	4,876	5,566
Cost of sales		(2,775)	(2,970)
Gross profit		2,101	2,596
Selling and distribution costs		(1,472)	(1,534)
Administrative expenses		(15,990)	(18,554)
Other expenses	5	–	(48,309)
Operating loss		(15,361)	(65,801)
Gain on disposal of subsidiaries	6	7,624	–
Finance income	7	361	2,149
Finance costs	7	–	(135)
Finance income – net	7	361	2,014
Loss before income tax		(7,376)	(63,787)
Income tax credit	8	251	3,433
Loss for the period		(7,125)	(60,354)
Other comprehensive income:			
Currency translation differences		(61)	1,250
Other comprehensive income for the period, net of tax		(61)	1,250
Total comprehensive income for the period		(7,186)	(59,104)

		Unaudited	
		Six months ended	
		2009	2008
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss attributable to:			
– equity holders of the Company		(5,874)	(59,858)
– minority interest		(1,251)	(496)
		<u>(7,125)</u>	<u>(60,354)</u>
Total comprehensive income attributable to:			
– equity holders of the Company		(5,935)	(58,608)
– minority interest		(1,251)	(496)
		<u>(7,186)</u>	<u>(59,104)</u>
Dividends	9	<u>–</u>	<u>–</u>
Loss per share for loss attributable to the equity holders of the Company, expressed in (HK cents per share)			
– Basic	10	(0.77)	(7.84)
– Diluted	10	<u>(0.77)</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2009

		Unaudited 30th June 2009 HK\$'000	Audited 31st December 2008 HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		462	762
Construction in progress		5,348	–
Intangible assets		7,295	35,557
Deferred income tax assets		203	203
Total non-current assets		13,308	36,522
Current assets			
Trade and other receivables	11	17,884	2,383
Cash and cash equivalents		275,802	289,095
Total current assets		293,686	291,478
Total assets		306,994	328,000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		7,638	7,635
Reserves		295,303	301,176
Equity attributable to equity holders of the Company		302,941	308,811
Minority interest		–	13,913
Total equity		302,941	322,724
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		1,459	1,709
Current liabilities			
Other payables		2,594	3,520
Current income tax liabilities		–	47
Total current liabilities		2,594	3,567
Total liabilities		4,053	5,276
Total equity and liabilities		306,994	328,000
Net current assets		291,092	287,911
Total assets less current liabilities		304,400	324,433

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

Hong Kong Energy (Holdings) Limited (“the Company” or “HKE”), is an exempted company incorporated in the Cayman Islands with limited liability. Its shares are listed on the Main Board of 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.

The Company and its subsidiaries (collectively, “the Group”) are principally engaged in alternative energy business and software development business. The Group has operations mainly in Mainland China.

This condensed consolidated interim financial information is presented in thousand of units of Hong Kong dollars (HK\$ thousand or HK\$'000), unless otherwise stated. This condensed consolidated interim financial information was approved by the Board of Directors for issue on 18th September 2009.

2. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2009 has been prepared in accordance with HKAS 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

During the period, the Group has changed its functional currency of the Company from Hong Kong dollars to Renminbi commencing on June 2009. The details and impact on the financial statements is described in Note 3(b) below.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2008, as described in those annual financial statements.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1st January 2009.

(a) New/revised Hong Kong Financial Reporting Standards

- HKAS 1 (Revised), ‘Presentation of financial statements’. The revised standard prohibits the presentation of items of income and expense (that is ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All ‘non-owner changes in equity’ are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the consolidated statement of comprehensive income) or two statements (the consolidated income statement and consolidated statement of comprehensive income).

The Group has elected to present one performance statement: a consolidated statement of comprehensive income. The interim consolidated financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, ‘Operating segments’. HKFRS 8 replaces HKAS 14, ‘Segment reporting’. It requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in any changes in the reportable segments presented. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the “CODM”). The CODM makes strategic decisions. Comparative information has been reclassified and expanded from previously reported interim financial statements to take into account any presentational changes made in the annual financial statements or in these interim financial statements.
- ‘Improvements to HKFRSs’ (issued in October 2008). The improvements include 35 amendments across 20 different standards that largely clarify the required accounting treatment where previous practice had varied. The adoption of the improvements in the current period did not have any significant impact on the Group’s interim financial information.

Other new standards, amendments to standards and interpretations, which are mandatory for the first time for the financial year beginning 1st January 2009, are not currently relevant for the Group or do not have material impact on the Group in the period ended 30th June 2009.

The Group did not early adopted the new standards, amendments to standards and interpretations, which have been issued but are not effective for the financial year beginning 1st January 2009. The Group has commenced an assessment of the related impact but is not yet in a position to state whether any substantial changes to the Group’s accounting policies and presentation of the financial information will be resulted.

(b) Foreign currency translation

Following the disposal of the pilot project in Hong Kong for production of cellulosic ethanol, management considers there is a shift of operational and financial focus to the Company’s PRC involvements. Therefore Company’s functional currency has changed from Hong Kong dollars to Renminbi with effect from June 2009. The condensed consolidated financial statement is presented in Hong Kong dollars to facilitate analysis of the financial information of the Group, which is listed in Hong Kong. The change of functional currency has no significant financial impact to both the Group and the Company.

(c) Construction in progress

Construction in progress represents all direct and indirect costs relating to the construction of property, plant and equipment. No depreciation is provided on properties under construction.

4. SEGMENT INFORMATION

The chief operating decision makers have been identified as the directors of the Company (the “Directors”). The Directors review the Group’s internal reporting in order to assess performance, allocate resources and make strategic decisions. Directors determine that the operating segments are the same as the business segments previously identified under HKAS 14, “Segment Reporting”. The reportable operating segments are alternative energy and software development.

The directors assess the performance of operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as gain on disposal of subsidiaries and provision for impairment losses. Finance income and finance cost are not included in the result of each operating segment that is reviewed by the directors. Other information provided, except as noted below, to the directors is measured in a manner consistent with that in the financial statements.

Total assets exclude deferred tax assets which are centrally managed. This is part of the reconciliation to total balance sheet assets.

The segment results for the six months ended 30th June 2009 and 2008 are as follows:

	Six months ended 30th June					
	2009			2008		
	Alternative energy HK'000	Software development HK'000	Total Group HK'000	Alternative energy HK'000	Software development HK'000	Total Group HK'000
Revenues	–	4,876	4,876	–	5,566	5,566
Segment results	(3,567)	(3,124)	(6,691)	(1,093)	(5,832)	(6,925)
Corporate administrative expenses			(8,670)			(10,567)
Provision for impairment losses			–			(48,309)
Gain on disposal of subsidiaries			7,624			–
Finance income – net (<i>Note 7</i>)			361			2,014
Loss before income tax			(7,376)			(63,787)
Income tax credit			251			3,433
Loss for the period			(7,125)			(60,354)
Depreciation	–	295	295	9	308	317
Amortisation	2,481	1,010	3,491	1,050	3,085	4,135
Impairment losses						
– goodwill	–	–	–	–	42,044	42,044
– intangible assets	–	–	–	–	6,265	6,265
Capital expenditure	5,348	83	5,431	31,500	163	31,663

The segment assets as at 30th June 2009 and 31st December 2008 are as follows:

	30th June 2009			31st December 2008		
	Alternative energy HK'000	Software development HK'000	Total Group HK'000	Alternative energy HK'000	Software development HK'000	Total Group HK'000
Total segment assets	21,732	21,870	43,602	42,654	24,933	67,587
Unallocated assets						
– cash and cash equivalents			262,924			259,820
– deferred income tax assets			203			203
– others			265			390
Total assets			306,994			328,000

The Group's non-current assets (excluding deferred tax assets) by geographical location are detailed below:

	30th June 2009 HK\$'000	31st December 2008 HK\$'000
Hong Kong	203	27,300
The PRC	12,902	9,001
Japan	–	18
Total non-current assets	<u>13,105</u>	<u>36,319</u>

For the six months ended 30th June 2009 and six months ended 30th June 2008, the Group's revenue for reportable segment is solely attributable to the Japan market.

For the six months ended 30th June 2009, the Group has two customers with revenue exceeding 10% of the group's total revenue (six months ended 30th June 2008: one customer). Revenues from these two customers amounted to HK\$4,381,000 and HK\$495,000 respectively (six months ended 30th June 2008: HK\$5,219,000). These revenues are attributable to software development.

5. OTHER EXPENSES

	Six months ended 30th June 2009 HK\$'000	2008 HK\$'000
Provision for impairment losses on:		
– goodwill	–	42,044
– other intangible assets	–	6,265
	<u>–</u>	<u>48,309</u>

6. GAIN ON DISPOSAL OF SUBSIDIARIES

On 21st May 2009, HKE (Biomass) Holdings Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company, entered into an agreement to dispose of its 55% equity interest in the Hong Kong Biomass Energy (BVI) Co., Limited, a company incorporated in the British Virgin Islands, to the minority shareholder, GeneHarbor (Hong Kong) Technologies Limited, at a cash consideration of HK\$23,100,000. A gain on disposal of HK\$7,624,000 was recorded.

7. FINANCE INCOME AND COSTS

	Six months ended 30th June 2009 HK\$'000	2008 HK\$'000
Finance costs:		
– interest expenses on bank borrowings wholly repayable within 5 years	–	(135)
Finance income:		
– interest income from bank deposits	<u>361</u>	<u>2,149</u>
Net finance income	<u>361</u>	<u>2,014</u>

8. INCOME TAX CREDIT

No tax provision has been made as the Group has no assessable profits in Hong Kong or in the PRC for the period (2008: Nil).

	Six months ended 30th June	
	2009	2008
	HK\$'000	HK\$'000
Current income tax		
– Overprovision in prior years	–	1,096
Deferred income tax credit	251	2,337
Income tax credit	251	3,433

Notes:

- (a) As at 31st December 2007, a deferred tax liability was recognised in respect of intangible assets of the acquired software development business. The deferred tax credit for the six months ended 30th June 2009 and 2008 represent movements in deferred income tax arising from amortisation and impairment of such intangible assets.
- (b) J.I.C. (Macao Commercial Offshore) Company Limited, a wholly owned subsidiary of the Company, is exempted from Macao Complementary Tax in accordance with the Macao Decree Law No.58/99/M.

9. DIVIDENDS

No interim dividend was proposed and paid for the period ended 30th June 2009 (2008: Nil).

10. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the unaudited loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th June	
	2009	2008
Loss attributable to equity holders of the Company		
(HK\$ thousand)	5,874	59,858
Weighted average number of ordinary shares in issue	763,560,125	763,534,755
Basis loss per share (HK cents per share)	0.77	7.84

(b) Diluted

Diluted loss per share for the six months ended 30th June 2009 is equal to the basic loss per share as the bonus warrants outstanding during the period have anti-dilutive effects on the basic loss per share. Diluted loss per share has not been disclosed as there were no dilutive potential shares in issue for the six months ended 30th June 2008.

11. TRADE AND OTHER RECEIVABLES

	As at	
	30th June 2009 HK\$'000	31st December 2008 HK\$'000
Trade receivables	1,965	1,686
Other receivables	15,919	697
	<u>17,884</u>	<u>2,383</u>

At 30th June 2009 and 31st December 2008, the ageing analysis of trade receivables, net of provision for impairment of receivables, is as follows:

	As at	
	30th June 2009 HK\$'000	31st December 2008 HK\$'000
Less than 30 days	<u>1,965</u>	<u>1,686</u>

The Group's policy is to allow credit periods ranging from 30 days to 90 days (2008: 30 days to 90 days) to its trade customers.

Included in other receivables is a consideration receivable arising from the disposal of subsidiaries amounting HK\$11,550,000 (2008: Nil) which is secured by a personal guarantee of the purchaser. HK\$6,930,000 of the balance was subsequently settled in July 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30th June 2009, turnover for Hong Kong Energy (Holdings) Limited (“HKE” or “the Company”, with its subsidiary companies, collectively, the “Group”) for this period was HK\$4.88 million, a 12.40% decrease compared to the same period in 2008. Gross profit dropped 19.07% to HK\$2.10 million from HK\$2.60 million for the same period last year. The slight decrease in the revenue and gross profit was primarily due to the slowdown of the software business. The Group’s alternative energy projects were still in the development phase, and hence, there was no income derived from this business segment. Net loss attributable to equity holders of the Group reduced to HK\$5.87 million from a net loss of HK\$59.86 million in 2008, which was primarily the result of the reduction of goodwill written off and impairment loss on intangible assets. The Group, however, recorded a gain of HK\$7.62 million on the disposal of the cellulosic ethanol pilot project in May 2009. For the six months ended 30th June 2009, the basic loss per share was HK0.77 cents as compared to basic loss per share of HK7.84 cents in 2008.

Liquidity and Financial Resources

As at 30th June 2009, the Group did not have any borrowing as all bank loans were repaid during 2008.

The Group’s wholly unrestricted cash and cash equivalents as at 30th June 2009 was HK\$275.80 million, a decrease from HK\$289.10 million as at 31st December 2008. For the Group’s alternative energy projects, a total capital expenditures of HK\$506.54 million was expected, of which HK\$109.95 million had been arranged from the Group’s internal resources and has been injected into an associated company in July 2009. As a result of the project deferral, the original contracts relating to the remaining capital expenditure of HK\$396.59 million as aforesaid became ineffective and new contract terms and conditions are under negotiation. The timing of the fund injection is under the control of the Group. Apart from internal sources, the Group is actively seeking external funding, such as bank financing, whenever necessary, from its parent company HKC (Holdings) Limited (“HKC”) (stock code: 190), to finance its future capital expenditure commitment.

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

Details of Charges in Group Assets

In the period under review, the Group did not have any charges over the Group’s assets.

Gearing Ratio

As at 30th June 2009, the Group maintained a net cash position of HK\$275.80 million with no borrowing, compared with the net cash position of approximately HK\$289.10 million as at 31st December 2008.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30th June 2009 (Nil as at 31st December 2008).

BUSINESS REVIEW

The People's Republic of China ("PRC") continued to strongly support and promote the alternative energy sector during the first half of 2009. The PRC government is fully aware of the economic and social benefits of finding environmental friendly energy sources, and the importance of alternative energy development in stimulating economic growth. Therefore, directives have been set out in the nationwide development plan mandating that by 2020, 15% of the primary energy capacity should come from alternative energy sources such as wind, solar and nuclear, resulting in less reliance on fossil fuel, and in significantly lower carbon emissions.

Beneficial policies, easier access to bank financing, and gradually declining equipment prices have created a positive operating environment for the industry. The Group has taken advantage of the positive investment environment and has realigned resources to expedite the development of alternative energy projects that can soon deliver promising results to the Group.

The Lunaobao Wind Farm project, with a capacity of 100.5 MW, is under construction. HKE owns 30% of the joint venture, with the rest owned by a subsidiary of China Energy Conservation Investment Corporation ("CECIC"). The project comprises 67 sets of 1,500 KW wind turbines with total investment cost of RMB 950.78 million. Foundation work has been substantially completed, of which 52 out of the 67 foundations have been laid down. The control and step-up station of which construction work started in July 2009 is currently under renovation, with control equipment being installed. Wind turbines are expected to be in place by the end of 2009 for the trial run. Commercial operation is tentatively targeted to be in 2010.

The progress of another HKE wholly owned wind farm project in Siziwang Qi ("SZWQ"), located in Wulanchabu City, Inner Mongolia, is being closely monitored. This is the second phase of the SZWQ project and is comprised of 33 sets of 1,500 KW wind turbines with a total capacity of 49.5 MW. Total investment is estimated to be around RMB 480.5 million. Pre-construction work is in progress and the project approval application has been submitted to the Inner Mongolia Development and Reform Commission ("DRC") for their final approval.

OUTLOOK

The strong support from the PRC government for the alternative energy sector is expected to continue. The PRC government is not only committed to finding cleaner energy sources, but also to using alternative energy to promote China's economic development. Under the new government plan, wind power capacity is expected to increase nationwide from 12,000 MW to over 100,000 MW by 2020, 233% higher than the original 2020 goal of 30,000 MW set in 2007. More government policies and guidelines to support the alternative energy industry are expected to be issued. On 24th July 2009, for example, the government issued guidelines for benchmark tariff rates ranging from RMB 51 cents per KWH to RMB 61 cents per KWH,

depending on the region. In August, other guidelines and laws were published, stipulating the percentage of non-hydro alternative energy thresholds state-owned power companies in PRC need to reach by 2010 and 2020; and the establishment of an infrastructure development plan for ultra-high voltage transmission lines and substations.

Given the strong prospects for the industry, turbine manufacturers have been ramping up their manufacturing capacity. According to the Chinese Wind Energy Association and Azure International, there will be 13,389 MW of wind turbine manufacturing capacity by 2010. It is expected that the excessive production capacity may help reduce equipment prices and thus lower HKE's project development costs.

These external developments create a positive operating environment for the Group. Meanwhile, internally, HKE receives strong support, both financial and technical, from its parent, HKC group ("HKC Group"). HKC Group has several alternative energy assets that are expected to be or are already performing well:

- (a) Phase I Siziwang Qi of Inner Mongolia – a 49.5 MW wind farm. This first phase of a potential 1,000 MW project is 100% wholly owned by HKC Group. The wind farm is currently under construction. The foundation has been completed and the control and step-up station are now under renovation. The installation of wind turbines is targeted to be completed by the end of 2009 for commercial operation in 2010.
- (b) Mudanjiang and Muling of Heilongjiang – a 2 x 30 MW wind farm. HKC Group owns majority stakes of 86% and 86.68% in the two wind farms. The wind farms commenced full operations in September 2007, and are making steady revenue contributions to the HKC Group.
- (c) Danjinghe of Hebei – a 200 MW wind farm. This wind farm is a joint venture with CECIC. HKC Group owns a 40% interest. The first phase, consisting of 40.5 MW, went into commercial operation in March 2009. Construction was completed below budget. The initial data indicates that the wind operating hours are significantly higher than originally forecast. The remaining second and third phases of the project are under construction and are expected to be completed ahead of the original schedule, which was the end of 2010.
- (d) Changma of Gansu – a 201 MW wind farm. This wind farm is a joint venture with CECIC. HKC Group owns a 40% interest. The project is under construction with two-thirds of its foundation work completed. The first 68 out of 134 sets of wind turbines are expected to be installed and trial run set to begin by the end of 2009.
- (e) Linyi of Shandong – a 25 MW waste-to-energy power plant. The plant is a joint venture with CECIC. HKC Group owns 40% interest. The plant commenced full operations in September 2007, and is making steady revenue contributions to the HKC Group.

Our business is in alternative energy in China and our vision is to become a trusted partner in China's alternative energy development. Going forward, HKE will map out the best strategies to take advantage of the promising alternative energy market. A number of potential wind farms projects are under preliminary review, one of which is a 3 x 50 MW wind farm project in Kulun, Inner Mongolia. We will continue to monitor government policy and investigate market opportunities, and enter, if appropriate, into other wind energy opportunities.

At the same time, the Group will explore plans and their feasibilities to inject alternative energy assets from the parent company HKC; and to seek strategic partnerships, with the aim of developing the Group into the sole listed vehicle for HKC's alternative energy business.

Employees

As at the end of June 2009, the Group's operations in Hong Kong and Mainland China employed a total of 79 employees. The Group also appoints technical consultants on contract terms for its alternative energy projects. All employees are remunerated according to the nature of their jobs, their individual performances, the Group's overall performance, and the prevailing marketing conditions.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend (2008: Nil) for the six months ended 30th June 2009.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors with written terms of reference in accordance with the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and reports to the Board. The Audit Committee has reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30th June 2009, which has also been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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 securities during the six months ended 30th June 2009.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30th June 2009 with all the code provisions (the "Code Provisions") and, where applicable, the recommended best practices as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except for the following:

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 organisation structure of the Company, the functions of a CEO are performed by the Chairman, Mr. Oei Kang, Eric, with support from other executive directors and senior management. The Board consider 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 of the Code Provision and will consider segregation of 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. Nevertheless, the appointment of all non-executive directors of the Company 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 of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, the directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30th June 2009.

PUBLICATION OF INTERIM REPORT

The 2009 interim report will be published on the websites of the Company (www.hkenergy.com.hk) and the Stock Exchange (www.hkexnews.hk) and dispatched to the shareholders in due course.

By order of the Board
Hong Kong Energy (Holdings) Limited
OEI Kang, Eric
Chairman and Chief Executive Officer

Hong Kong, 18 September 2009

As at the date hereof, the Board comprises seven directors of which Mr. Oei Kang, Eric, Dr. Yung Bruce Pak Keung 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.