HKE
香港新能源

INTERIM REPORT 2008
二零零八年度中期業績報告

Stock Code 股份代號：987

HONG KONG ENERGY (HOLDINGS) LIMITED
香港新能源(控股)有限公司
(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

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CORPORATE INFORMATION

Directors

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\# Mr. CHEN Libo *(Vice Chairman)*

\# Mr. TSANG Sai Chung, Kirk

\# Mr. CHAN Kwok Fong, Joseph

* Mr. LIU Zhixin

@ Mr. ZHANG Songyi

@ Mr. TANG Siu Kui, Ernest

@ Mr. YU Hon To, David

\# Executive Directors

* Non-executive Directors

@ Independent non-executive Directors

Auditors

PricewaterhouseCoopers

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited

Shanghai Commercial Bank Limited

Public relation consultant

Strategic Financial Relations Limited

Company secretary

Mr. TSANG Sai Chung, Kirk

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Principal share registrar and transfer agent

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Stock code

987

The board of directors ("the Board") of Hong Kong Energy (Holdings) Limited (the "Company" or "HKE") wishes to present the unaudited condensed consolidated interim results of the Company and its subsidiaries ("the Group") for the six months ended 30th June 2008 together with the comparative figures as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2008

		Unaudited					
		Continuing operations six months ended		Discontinued operations six months ended		Total six months ended	
	Notes	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Revenue	4	**5,566**	–	**–**	304,179	**5,566**	304,179
Cost of sales		**(2,970)**	–	**–**	(272,497)	**(2,970)**	(272,497)
Gross profit		**2,596**	–	**–**	31,682	**2,596**	31,682
Selling and distribution costs		**(1,534)**	(323)	**–**	(7,353)	**(1,534)**	(7,676)
Administrative expenses		**(18,554)**	(5,481)	**–**	(15,598)	**(18,554)**	(21,079)
Other expenses	6	**(48,309)**	–	**–**	–	**(48,309)**	–
Operating (loss)/profit		**(65,801)**	(5,804)	**–**	8,731	**(65,801)**	2,927
Share of loss of an associate		**–**	(903)	**–**	–	**–**	(903)
Finance income	7	**2,149**	19	**–**	88	**2,149**	107
Finance cost	7	**(135)**	(602)	**–**	(1,027)	**(135)**	(1,629)
(Loss)/profit before income tax		**(63,787)**	(7,290)	**–**	7,792	**(63,787)**	502
Income tax credit	8	**3,433**	–	**–**	5,829	**3,433**	5,829
(Loss)/profit for the period		**(60,354)**	(7,290)	**–**	13,621	**(60,354)**	6,331
Attributable to:							
Equity holders of the Company		**(59,858)**	(7,290)	**–**	13,621	**(59,858)**	6,331
Minority interest		**(496)**	–	**–**	–	**(496)**	–
		(60,354)	(7,290)	**–**	13,621	**(60,354)**	6,331
Dividends	9	**–**	–	**–**	–	**–**	–
(Loss)/earnings per share (HK cents)							
Basic	10	**(7.84)**	(0.95)	**–**	1.78	**(7.84)**	0.83

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2008

	Notes	Unaudited 30th June 2008 HK$'000	Audited 31st December 2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**1,913**	1,785
Intangible assets	11	**51,949**	30,849
Goodwill	11	**–**	42,044
Total non-current assets		**53,862**	74,678
Current assets			
Trade and other receivables	12	**8,184**	2,431
Tax recoverable		**238**	345
Cash and cash equivalents		**304,860**	344,558
Total current assets		**313,282**	347,334
Total assets		**367,144**	422,012
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Capital	14	**7,635**	7,635
Reserves		**331,203**	389,811
		338,838	397,446
Minority interest		**18,404**	–
Total equity		**357,242**	397,446
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		**5,077**	7,414
Current liabilities			
Other payables		**3,073**	7,362
Current income tax liabilities		**–**	1,210
Bank borrowings	13	**1,752**	8,580
Total current liabilities		**4,825**	17,152
Total liabilities		**9,902**	24,566
Total equity and liabilities		**367,144**	422,012
Net current assets		**308,457**	330,182
Total assets less current liabilities		**362,319**	404,860

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2008

	Unaudited								
	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Goodwill reserve HK$'000	Exchange reserve HK$'000	Special reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interest HK$'000	Total equity HK$'000
Balance at 1st January 2007	7,635	175	(8,351)	–	(6,774)	176,299	168,984	–	168,984
Profit for the period	–	–	–	–	–	6,331	6,331	–	6,331
Balance at 30th June 2007	7,635	175	(8,351)	–	(6,774)	182,630	175,315	–	175,315
Balance at 1st January 2008	**7,635**	**175**	**-**	**-**	**(6,774)**	**396,410**	**397,446**	**-**	**397,446**
Transfer to retained earnings	**-**	**-**	**-**	**-**	**6,774**	**(6,774)**	**-**	**-**	**-**
Currency translation differences	**-**	**-**	**-**	**1,250**	**-**	**-**	**1,250**	**-**	**1,250**
Contribution from a minority shareholder in a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,900**	**18,900**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(59,858)**	**(59,858)**	**(496)**	**(60,354)**
Balance at 30th June 2008	**7,635**	**175**	**-**	**1,250**	**-**	**329,778**	**338,838**	**18,404**	**357,242**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2008

	Unaudited Six months ended 30th June	
	2008	2007
	HK$'000	HK$'000
Net cash (used in)/generated from operating activities	**(18,402)**	3,381
Net cash used in investing activities	**(15,259)**	(14,530)
Net cash (used in)/generated from financing activities	**(6,828)**	4,544
Net decrease in cash and cash equivalents	**(40,489)**	(6,605)
Cash and cash equivalents at beginning of the period	**344,558**	26,530
Exchange gains on cash and cash equivalents	**791**	–
Cash and cash equivalents at end of the period	**304,860**	19,925

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Hong Kong Energy (Holdings) Limited ('the Company') is an investment holding company and its subsidiaries (together, 'the Group') are principally engaged in alternative energy business and software development business. The financial statements are presented in thousands of units of Hong Kong dollars (HK$ thousand), unless otherwise stated. The functional currency of the Company is Hong Kong dollars.

The Company 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. Its ultimate holding company is HKC (Holdings) Limited ("HKC"), a limited company incorporated in Bermuda with its shares listed on the Stock Exchange. HKC obtained its shareholding of the Company, previously known as J.I.C. Technology Company Limited, from Nam Tai Electronics, Inc. on 10th April 2008.

The condensed consolidated interim financial information was approved for issue on 10th September 2008.

2 BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30th June 2008 has been prepared in accordance with HKAS 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2007, as described in the annual financial statements for the year ended 31st December 2007.

The following new/revised HKFRSs are effective for the first time for the financial year beginning 1st January 2008 but are not currently relevant for the Group.

- 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.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1st January 2008.

- HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1st January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail.
- HKAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1st January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs.

3 ACCOUNTING POLICIES *(Continued)*

- HKFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1st January 2009. This amendment is not relevant to the Group, as the Group currently does not have any share-based payment.
- HKFRS 3 (amendment), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.
- HKAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1st January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.
- HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1st January 2009. This is not relevant to the Group, as the Group does not have any puttable instruments.
- HK(IFRIC) – Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1st July 2008. This amendment is not relevant to the Group, as the Group does not have any customer loyalty programmes.
- IFRS 1 and IAS 27 (revised) 'Cost of an investment in a subsidiary, jointly controlled entity or associate', and consequential amendments to IAS 18 'Revenue', IAS 21 'The Effects of Changes in Foreign Exchange Rates' and IAS 36 'Impairment of Assets', effective for annual periods beginning on or after 1st January 2009. This amendment is not relevant to the Group, as the Group is not a first-time adopter of IFRS.

The Group has not early adopted these standards, interpretations and amendments in the Group's condensed consolidated interim financial information but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to Group's significant accounting policies and presentation of the financial statements will be resulted.

4 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 six months ended 30th June 2008 and 30th June 2007 are as follows:

	Six months ended 30th June					
	2008			2007		
	Continuing operations			Continuing operations	Discontinued operations	
	Alternative energy	Software development (Note b)	Total Group		LCD production (Note a)	Total Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	-	5,566	5,566	–	304,179	304,179
Operating results	(1,093)	(54,141)	(55,234)	–	19,185	19,185
Unallocated expenses			(10,567)	(5,804)	(10,454)	(16,258)
Finance income			2,149	19	88	107
Finance cost			(135)	(602)	(1,027)	(1,629)
Share of loss of an associate			-	(903)	–	(903)
(Loss)/profit before income tax			(63,787)	(7,290)	7,792	502
Income tax credit			3,433	–	5,829	5,829
(Loss)/profit from operations for the period			(60,354)	(7,290)	13,621	6,331
Depreciation	9	308	317	29	15,896	15,925
Amortisation (Note 11)	1,050	3,085	4,135	–	–	–
Impairment losses	-	48,309	48,309	–	–	–
Capital expenditure	31,500	163	31,663	–	13,345	13,345

Note

(a) During the six months ended 30th June 2007, the Group was entirely engaged in the manufacturing and distribution of LCD products which was disposed on 31st December 2007. Accordingly, the Group had only one business segment. Details of the disposal is set out in Note 9 of the "Notes to the Consolidated Financial Statements" in J.I.C. Technology Company Limited's 2007 Annual Report.

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

4 SEGMENT INFORMATION *(Continued)*

(a) Primary reporting format – business segments *(Continued)*

The segment assets and liabilities as at 30th June 2008 and 31st December 2007 are as follows:

	30th June 2008			31st December 2007
	Alternative energy HK$'000	Software development HK$'000	Total HK$'000	Software development HK$'000
Total segment assets	43,049	38,285	81,334	91,523
Unallocated assets			285,810	330,489
Total assets			367,144	422,012
Total liabilities	3,264	6,638	9,902	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 products. Capital expenditure is allocated based on where the assets are located.

	Six months ended 30th June 2008 HK$'000	Six months ended 30th June 2007 HK$'000
Revenue		
Hong Kong	–	202,367
The PRC	–	85,405
Japan	5,566	1,931
Europe	–	10,396
Others	–	4,080
	5,566	304,179

	Six months ended 30th June 2008 HK$'000	Six months ended 30th June 2007 HK$'000
Capital expenditure		
Hong Kong	31,500	–
The PRC	163	13,345
	31,663	13,345

4 SEGMENT INFORMATION *(Continued)*

(b) Secondary reporting format – geographical segments *(Continued)*

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

	30th June 2008 HK$'000	31st December 2007 HK$'000
Segment assets		
Hong Kong	**285,923**	327,583
The PRC	**80,639**	92,908
Japan	**582**	1,521
Total assets	**367,144**	422,012

5 EXPENSES BY NATURE

	Six months ended 30th June			
	2008	2007		
	Continuing operations HK$'000	Continuing operations HK$'000	Discontinued operations HK$'000	Total Group HK$'000
Provision for impairment loss on trade receivables	**80**	–	662	662
Reversal of provision for impairment loss on trade receivables	**–**	–	(1,119)	(1,119)
Provision for impairment loss on inventories	**–**	–	203	203
Reversal of provision for impairment loss on inventories	**–**	–	(326)	(326)
Operating lease rental expenses	**546**	45	4,570	4,615
Loss on disposal of property, plant and equipment	**–**	–	333	333

6 OTHER EXPENSES

	Six months ended 30th June	
	2008 HK$'000	2007 HK$'000
Write-off of goodwill	**42,044**	–
Impairment losses of intangible assets	**6,265**	–
	48,309	–

7 FINANCE INCOME AND COST

	Six months ended 30th June	
	2008	2007
	HK$'000	HK$'000
Finance cost:		
Interest expenses on bank loans and other borrowings		
– wholly repayable within 5 years	**(135)**	(1,629)
Finance income:		
– interest income on bank deposits	**2,149**	107
Net finance income/(cost)	**2,014**	(1,522)

8 INCOME TAX CREDIT

No tax provision has been made for the Group as they have no estimated assessable profits in Hong Kong or the PRC for the period (2007: Nil).

	Six months ended 30th June	
	2008	2007
	HK$'000	HK$'000
Current income tax		
Overprovision in prior years	**1,096**	–
Deferred income tax credit	**2,337**	5,829
Income tax credit	**3,433**	5,829

Notes

(a) As at 31st December 2007, a deferred income tax liability was recognised in respect of intangible assets of the acquired software development business. The deferred income tax credit for the period ended 30th June 2008 represents movement in deferred income tax arising from amortisation and impairment of such intangible assets. The deferred income tax credit for the period ended 30th June 2007 mainly represents recognition of deferred income tax asset on accelerated depreciation of property, plant and equipment of the discontinued operations. The deferred tax asset was derecognised upon disposal of discontinued operations as at 31st December 2007.

(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 no dividend was paid for the period ended 30th June 2008 (2007: Nil).

10 (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 period.

	Six months ended 30th June	
	2008	2007
(Loss)/profit attributable to equity holders of the Company (HK$ thousand)	**(59,858)**	6,331
Weighted average number of ordinary shares in issue	**763,534,755**	763,534,755
Basic (loss)/earnings per share (HK cents per share)	**(7.84)**	0.83

Diluted earnings per share has not been disclosed as there was no dilutive potential shares in issue for the six months ended 30th June 2008 and 2007.

11 CAPITAL EXPENDITURE

	Property, plant and equipment HK$'000	**Intangible assets HK$'000**	**Goodwill HK$'000**
Six months ended 30th June 2008			
Opening net book amount as at 1st January 2008	**1,785**	**30,849**	**42,044**
Additions	**163**	**31,500**	**–**
Disposals	**(80)**	**–**	**–**
Depreciation	**(317)**	**–**	**–**
Amortisation	**–**	**(4,135)**	**–**
Impairment losses	**–**	**(6,265)**	**(42,044)**
Exchange difference	**362**	**–**	**–**
Closing net book amount as at 30th June 2008	**1,913**	**51,949**	**–**
Six months ended 30th June 2007			
Opening net book amount as at 1st January 2007	125,831	381	–
Additions	13,345	–	–
Disposals	(333)	–	–
Depreciation	(15,925)	–	–
Closing net book amount as at 30th June 2007	122,918	381	–

11 CAPITAL EXPENDITURE *(Continued)*

As at 30th June 2008, the Group performed impairment testing which resulted in impairment losses of HK$42,044,000 and HK$6,265,000 over the carrying amount of goodwill and intangible assets respectively being recorded.

For the purpose of impairment testing, the recoverable amounts are determined based on a value-in-use calculation of the software development business unit. The calculation uses cash flow projections based on the next five financial years and a discount rate of 17.79% taking into account the risk level of the business unit. For calculation of goodwill, cash flows beyond the next five financial years are extrapolated by an annual growth rate of 3% which does not exceed the industry average long-term growth rate. Other key assumptions relate to estimation in sales, gross margin and operating cash outflows, which are based on the business unit's past performance and management expectations for future development of the market and the business.

12 TRADE AND OTHER RECEIVABLES

	As at	
	30th June 2008 HK$'000	31st December 2007 HK$'000
Trade receivables	**8,264**	2,431
Less: provision for impairment of receivables	**(80)**	–
	8,184	2,431

At 30th June 2008 and 31st December 2007, the ageing analysis of trade receivables, net of provision for impairment of receivables, is as follows:

	As at	
	30th June 2008 HK$'000	31st December 2007 HK$'000
Less than 30 days	**827**	1,365
30 days to less than 60 days	**–**	156
60 days to less than 90 days	**193**	–
	1,020	1,521
Other receivables	**7,164**	910
	8,184	2,431

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.

13 BANK BORROWINGS

The bank borrowings are bank loans at which carry interest 0.75% over Hong Kong Interbank Offered Rate per annum (2007: 0.55% to 0.75% over Hong Kong Interbank Offered Rate).

Movements in bank borrowings are analysed as follows:

	HK$'000
Six months ended 30th June 2008	
Opening amount as at 1st January 2008	**8,580**
Repayments of bank borrowings	**(6,828)**
Closing amount as at 30th June 2008	**1,752**
Six months ended 30th June 2007	
Opening amount as at 1st January 2007	57,068
New bank borrowings	12,954
Repayments of bank borrowings	(6,781)
Closing amount as at 30th June 2007	63,241

14 SHARE CAPITAL

	Ordinary shares of HK$0.01 each		**Non-redeemable convertible preference shares of HK$0.01 each**		**Total**
	Number of shares	**HK$'000**	**Number of shares**	**HK$'000**	**HK$'000**
Authorised:					
At 31st December 2007 and 30th June 2008	2,000,000,000	20,000	600,000,000	6,000	26,000
Issued and fully paid:					
At 31st December 2007 and 30th June 2008	763,534,755	7,635	–	–	7,635

15 COMMITMENTS

(a) Capital commitments

	As at 30th June 2008 HK$'000	31st December 2007 HK$'000
Capital expenditure in respect of alternative energy projects:		
Contracted but not provided for	**397,774**	–

(b) Commitments under operating lease

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	As at 30th June 2008 HK$'000	31st December 2007 HK$'000
Not later than one year	**305**	831
Later than one year and not later than five year	**–**	172
	305	1,003

16 RELATED PARTY TRANSACTIONS

During the period, the Group entered into transactions with the following related party:

Related party	Nature of transactions	Six months ended 30th June 2008 HK$'000	2007 HK$'000
Directors and key management of the Company	Directors fee, salaries and benefits paid by the Group	**828**	2,028

17 EVENTS AFTER BALANCE SHEET DATE

(a) In August 2008, the Group entered into a joint venture agreement with a subsidiary of China Energy Conservation Investment Corporation ("CECIC") for setting up a joint venture company ("JV") in the PRC, for the purpose of investing in, constructing and operating project of 100.5MW wind farm at Lunaobao, Zhangbei, Hebei Province, the PRC. The Group will contribute RMB96.98 million (equivalent to approximately HK$110.28 million), which represents 30% of the JV's proposed registered capital.

(b) In August 2008, the Company entered into an office sharing and services provision agreement ("agreement") with HKC, pursuant to which the Group has agreed to pay an initial fee of HK$442,400 per month to HKC, for occupying and using certain office areas under a licence granted by HKC, receiving management services from HKC and sharing certain administrative expenses incurred by HKC. The entering into such an agreement by the Company and the transactions contemplated thereunder constitute continuing connected transactions for the Company.

(c) In September 2008, the Group entered into a framework agreement and a capital contribution agreement with CECIC to invest and develop a 201MW wind farm at Changma, Gansu Province, the PRC. The Group will initially contribute 30% of the project's registered capital and may acquire a further 10% stake. The amount of registered capital is not yet proposed in the capital contribution agreement.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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To the board of directors of Hong Kong Energy (Holdings) Limited

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 18, which comprises the condensed consolidated balance sheet of Hong Kong Energy (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 10th September 2008

FINANCIAL REVIEW

For the six months ended 30th June 2008, turnover for the Group amounted to HK$5.57 million, a decrease of 98% over turnover of HK$304.18 million for the same period in 2007. Gross profit for the period also decreased to HK$2.60 million from HK$31.68 million for the same period last year. Net loss attributable to equity holders of the Group amounted to HK$59.86 million for the period under review (2007: Net profit HK$6.33 million). The decrease in revenue and profit was largely the result of the discontinuation of the Group's LCD business which was the principal activity for the Group in 2007. The Group acquired its software business in December 2007; however, because of its small scale, has not been able to replace the revenues lost from the LCD business. Meanwhile, the Group has been making investments in the high growth alternative energy business; however, the projects are still in the investment stage, and have not been completed. Therefore, alternative energy is not yet generating any revenues. Basic loss per share amounted to HK7.84 cents (2007: basic earnings per share HK0.83 cents).

Liquidity and Financial Resources

As at 30th June 2008, the Group's total Hong Kong Dollar borrowings amounted to HK$1.75 million, representing a drop of 80% when compared with the equivalent figure of HK$8.58 million as at 31st December 2007.

All outstanding borrowings take the form of interest-bearing loans, with interest rates comparable to market rate, and will mature within one year.

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

The Group will continue its efforts to create an optimum financial structure that best reflects the long-term interests of its shareholders, and will actively consider a variety of alternative sources of funding to finance future investments.

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 2008, the Group maintained a net cash position of HK$303.11 million, compared with a net cash position of approximately HK$335.98 million as at 31st December 2007. The Group has not yet needed to raise debt financing to fund its projects given its cash position. However, as the Group expands into more alternative energy projects, the Group may seek funds from external sources, or, if necessary, financial support from its parent company, HKC (Holdings) Limited ("HKC") (stock code: 190), to finance its future capital commitment of HK$508.06 million.

Contingent Liabilities

The Group did not have any contingent liabilities as at 30th June 2008.

BUSINESS REVIEW

The Establishment of Hong Kong Energy (Holdings) Limited

On 10th April 2008, HKC completed the acquisition of 74.99% of the issued share capital of J.I.C. Technology Company Limited (now renamed as Hong Kong Energy (Holdings) Limited ("HKE")) listed on the Main Board of the Stock Exchange of Hong Kong Limited. The purpose of HKC's acquisition was to create a separate listed vehicle for HKC's alternative energy business.

On 31st December 2007, shortly before HKC made its acquisition of share capital, HKE underwent a business reorganisation. It closed down its original business manufacturing LCD products, and acquired a software development business. HKE's current management will closely monitor and review the performance of the software development operation to satisfy existing customers' needs.

Alternative Energy

HKE has been set up by parent company HKC as a dedicated alternative business because opportunities for development within the alternative industry in China are extremely promising. This positive situation has arisen as a result of powerful government moves to encourage alternative energy technologies, with the purpose of reducing reliance on fossil fuels in order to cut down on the negative environmental and social effects caused by fossil fuel pollution. The urgency of this move has been emphasised by recent spikes in the price of oil, along with sharp increases in the price of coal during the first half of the year. The need to find clean, sustainable and economical alternatives to oil and coal has become particularly pressing and a matter of considerable economic importance.

China's government is taking a multi-faceted approach to expanding its use of alternative energy, combining incentives, new regulations, price adjustments, and other strategies. Generally, the government has committed itself to increasing the country's use of renewable energy sources so that they will account for 10% of total energy consumption by 2010 and 15% by 2020. Moreover, power companies with greater than 5,000MW of generating capacity, must have alternative energy, excluding hydro, account for 3% of its total energy generated by 2010, and 8% by 2020, or they will not be allowed to build more power plants. As a result, those companies with ownership of alternative assets will become increasingly valuable as the deadlines approach.

The government's "Renewable Energy Law 2006" requires the power grid to purchase all electricity generated by alternative energy. In addition, the government has increased electricity tariffs by around RMB5 cents over the last several months; and similarly, has increased pollution taxes on end-users of electricity to subsidise alternative energy. Having recognised clearly the importance of reasonable wind power tariff rates, the National Development and Reform Commission ("NDRC") is no longer asking bidders to bid for the lowest price at national level concession projects. Instead, the bidders are requested to meet the average bid submitted.

In terms of specific incentives for wind power, one of the Group's major areas of investment, the government provides a 17% rebate on value added tax on domestically produced wind turbines, and subsidises transmission costs for electricity generated by wind power.

The government has also recently introduced new initiatives encouraging the use of biofuels. For instance, in April 2008 the NDRC announced formal consent for five provinces to develop fuel ethanol projects, with the aim of launching a gasoline product with a 10% ethanol blend. The NDRC also announced in June an increase in gasoline prices, a rise that will benefit ethanol producers because the ethanol pricing mechanism is linked to the price of gasoline.

Three initial alternative energy projects

HKE is still at the early stages of its operations; several alternative energy projects remain under the umbrella of HKE's parent company, HKC. This situation may change in the future as the two companies explore options for rationalising business operations and the possibility of HKC injecting assets in to HKE. To clarify the current situation regarding holdings of alternative energy projects, the charts below lay out the various projects held by the two companies as at 30th June 2008.

BUSINESS REVIEW *(Continued)*

Three initial alternative energy projects *(Continued)*

Projects	Type of energy	Shareholdings (%)	Capacity (MW) Wind	Capacity (MW) Other	Wind Turbine Arrangement	Commercial Operation	Under
Lunaobao, Hebei Province	Wind power	30%	100.5MW		67 units of 1,500kW wind turbines	2010	HKE
Siziwang Qi Phase 2, Inner Mongolia#	Wind power	100%	49.5MW		33 units of 1,500kW wind turbines	1Q.2010	HKE
Cellulosic Ethanol Project	Biofuel	55%					HKE
		Total wind capacity in HKE	150MW				
Mudanjiang & Muling, Heilongjiang	Wind power	86% & 86.68%	2 x 29.75MW		70 units of 52V/850kW wind turbines	September 2007	HKC
Danjinghe, Hebei Province	Wind power	40%	200MW		A combination of 750kW, 800kW, and 1.5MW wind turbines	4Q.2008/ 4Q.2009/ 4Q.2010	HKC
Siziwang Qi Phase 1, Inner Mongolia	Wind power	100%	49.5MW		33 units of 1,500kW wind turbines	3Q.2009	HKC
Changma Phase 1, Gansu Province	Wind power	40%	201MW		134 units of 1,500kW wind turbines	3Q.2010	HKC
Linyi, Shandong Province*	Biomass/waste-to-energy	40%		Electricity Generation -25 MW Domestic Garbage Handling -800 tonnes per day		September 2007	HKC
Ethanol Plant, Chongqing	Biofuel	70.65%					HKC
		Total wind capacity in HKC	510MW				
		Total wind capacity in HKE & HKC	660MW				

* *Garbage handling charge: CNY 46 / tonne*

\# *The project is under application for project approval*

BUSINESS REVIEW *(Continued)*

Three initial alternative energy projects *(Continued)*

(i) Lunaobao Wind Farm

During the period under review, HKE made its first step into the alternative energy industry when it signed a framework agreement with a subsidiary of China Energy Conservation Investment Corporation ("CECIC") to invest in and develop a 100.5 MW wind farm at Lunaobao, Zhangbei, in Hebei Province. CECIC is the largest national level state-owned-enterprise ("SOE") involved in environmental protection, with a strong track record in important energy conservation projects. Total planned investment in this project is approximately RMB950.8 million (HK$1,081.2 million). HKE will contribute 30% of the registered capital. The project will involve construction of 67 sets of 1,500 kW wind turbines. Construction is targeted to be completed in 2010.

(ii) Wind Power Project at Siziwang Qi Region, Inner Mongolia

HKE is in the progress of obtaining approval from the Development and Reform Commission of Siziwang Qi to establish a 49.5MW wind farm at Siziwang Qi, Wulanchabu City, in China's Inner Mongolia Autonomous Region. Total investment will amount to approximately RMB480.5 million (HK$546.4 million). The project will involve construction of 33 sets of 1,500 kW wind turbines. Completion is estimated to be end of December 2009. This project represents Phase 2 of an existing wind farm development at this site: Phase 1, which has an equivalent generating capacity, is currently held by HKE's parent company, HKC. HKC owns exclusive rights to develop wind farms with a total capacity of 1,000MW across a total area of 980 sq.km. at Siziwang Qi, so there are good prospects for the construction of further phases of this wind power plant in the future.

(iii) Cellulosic Ethanol Pilot Project

In a first move into biofuel development, HKE signed a "Cellulosic-Ethanol Technology Co-operation Agreement" with GeneHarbour (Hong Kong) Technologies Limited ("GeneHarbour"). Cellulosic ethanol involves the conversion of cellulosic materials such as corn stalks and grass into ethanol. The current problem with existing biofuel technologies is that biofuel is converted from food crops, such as corn and palm oil, resulting in severe demand pressures; and, hence, food inflation. Cellulosic ethanol offers the opportunity to turn non-food plant products into ethanol without affecting the supply of food crops.

This agreement will see the Group invest in a pilot cellulosic ethanol plant project, using Cellulosic Ethanol Technology developed by GeneHarbour. A workshop and pilot plant has been set up in Jiangmen in Guangdong Province, where the project is being carried out and results tested for overall feasibility. The pilot plant for the production of ethanol using this technology will have a production capacity of up to 300 tons per year.

Software Development

HKE's software development arm, acquired during the Group's reorganisation in December 2007 shortly before the company was taken over by HKC, is called the Namtek Group. Its main development site is located in Shekou in Shenzhen, Guangdong Province, with a sales office in Tokyo, Japan.

Namtek's main products are digital dictionary software solutions for customers within the Japanese electronics industry. Such products generate two-thirds of Namtek's total revenue. Digital dictionaries are favoured over traditional printed dictionaries due to their portability and ease of use. A number of major Japanese manufacturers of electronic goods still regularly redesign and upgrade their electronic dictionaries, and they return repeatedly to take advantage of the high quality software solutions provided by Namtek.

The operating results of the software development business were impacted primarily by the ongoing appreciation of the RMB and the rise in operating costs in the PRC during the period under review.

OUTLOOK

Given the strong prospects for and the government's financial incentives provided to the alternative energy industry, HKE will continue to focus on alternative energy opportunities in the coming years.

The increased utilisation of wind power is one of the prominent success stories in China's push for change. Originally, the government set a target of achieving a total installed wind energy capacity of 5,000MW by 2010. This target was in fact met by 2007, at which point the target figure for 2010 was revised to 10,000MW. That revised target is now expected to be met by the end of 2008, and estimates suggest that total installed capacity will reach 20,000MW by 2010. These significant efforts in rolling out wind power as a viable energy option over the past few years mean that China is well on track to become a major utiliser of wind energy in the next few years.

In terms of competitiveness, the government's ongoing increases in electricity tariffs (and further rises are expected in the coming year) is reducing the cost differential between coal-fired and wind-generated electricity. In addition, the costs associated with setting up wind farms, such as the cost of purchasing wind turbines, are expected to fall. By 2009, China is predicted to be the world's leading manufacturer of wind turbines, and the current situation in which demand for wind turbines outstrips supply should ease. As a result, prices are expected to fall, leading to lower initial investment costs per kW of wind power.

With such a positive environment associated with the wind power sector, HKE believes that the time is ripe for further investment in wind power projects. In particular, the Group aims to explore options involving further joint venture projects with CECIC and other proven wind power developers, so as to add further capacity to its burgeoning portfolio of renewable energy projects. At the same time, the Group will continue to keep close track of the progress of its Siziwang Qi wind power site in Inner Mongolia, with a view to pinpointing the optimum timing for developing a Phase 3 50MW wind farm at the site.

Meanwhile, further increases in the price of gasoline are expected in the coming year, making fuel ethanol more competitive. This should benefit both the industrial ethanol project in Chongqing held by HKE's parent company, HKC, and the Cellulosic Ethanol project jointly being run by HKE and Geneharbour.

New Projects in the Pipeline

In the relatively short period that HKE has been operating as an alternative energy player, it has already become involved in some high-potential energy projects in collaboration with other parties. For instance, the Group submitted a joint tender with CECIC for a wind power project at Changma, Gansu Province. The tender was accepted by government authorities. The project will involve the Group establishing a joint venture with CECIC that will invest in, construct and operate a wind power plant at Changma with a total capacity of 201MW. This project represents Phase 2 of a wind farm development at this site. HKC is developing 201MW Changma Phase 1 wind farm. The Group and CECIC will initially contribute 30% and 70% of the registered capital for the Phase 2 project respectively. HKE has an option to acquire a further 10% stake in the project company from CECIC at a price to be valued upon satisfaction of certain conditions. With this addition, the total wind capacity in HKE and HKC would be around 861MW.

The parent company of HKE, HKC, currently maintains several alternative energy projects within its own umbrella. The management of both companies through their financial advisers are presently studying the options for injecting alternative energy assets from HKC into HKE, in a way that would further rationalise the two companies' business operations and lead to greater operational efficiency, closer synergies between projects, and other similar benefits.

Software Development

The Group's software development arm will maintain its research and development of new and improved products. Besides making the most of its traditional niche in Japan, the Group plans to begin exploring new markets, such as Europe.

Besides its digital dictionary solutions, Namtek has recently expanded its technology to take in vehicle navigation and portable navigation devices. It is now developing products such as navigation engines (e.g. with map matching and route planning functions), global positioning systems, 3G sensors, and other point-of-interest (POI) content searching engines.

Employees

As at the end of June 2008, the Group's operations in Hong Kong and mainland China employed a total of approximately 87 employees. The Group also appoints technical consultants on contract terms for its alternative energy projects, and sales consultants for its software development operation. All employees are remunerated according to the nature of their jobs, their individual performances, the Group's overall performance, and prevailing marketing conditions.

OTHER INFORMATION

SHARE OPTIONS

At the annual general meeting of the Company held on 27th May 2008, the Company's share option scheme adopted on 16th April 2002 (the "Old Option Scheme") was terminated and a new share option scheme (the "New Option Scheme") was adopted by the shareholders of the Company. Up to at 30th June 2008, no options had been granted under the Company's Old Option Scheme and New Option Scheme.

DIRECTORS' INTERESTS

As at 30th June 2008, the interests of the Directors and chief executive of the Company in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the shares and underlying shares of the Company

Name	Nature of interest	Number of Shares	Approximate percentage of existing issued share capital of the Company
Oei Kang, Eric ("Mr. Oei")	Corporate[1]	572,598,298	74.99%

DIRECTORS' INTERESTS *(Continued)*

(ii) Long positions in the shares and underlying shares of associated corporation of the Company

Name of associated corporation	Name	Nature of interest	Number of shares	Approximate percentage of the existing issued share capital of the associated corporation
HKC (Holdings) Limited ("HKC")	Mr. Oei	Personal	192,940,410[2]	2.380%
		Corporate	3,273,607,001[3]	40.381%
		Joint	5,262,735[4]	0.065%
		Family	3,000,000[5]	0.037%
	Chen Libo ("Mr. Chen")	Personal	102,064,394[6]	1.259%
	Tsang Sai Chung, Kirk ("Mr. Tsang")	Personal	17,583,749[7]	0.217%
	Chan Kwok Fong, Joseph ("Mr. Chan")	Personal	13,000,000[8]	0.160%
	Liu Zhixin ("Mr. Liu")	Personal	7,500,000[9]	0.093%

Notes:

1 Creator Holdings Limited ("Creator"), a company beneficially and wholly owned by Mr. Oei, is beneficially interested in 37.78% of the issued share capital of HKC and thus, Mr. Oei is deemed to be interested in 572,598,298 shares of the Company in which HKC is interested.

2 The personal interest of Mr. Oei represents an interest in 172,673,100 shares of the HKC, an interest in 17,267,310 underlying shares in respect of warrants issued by HKC and an interest in 3,000,000 underlying shares in respect of options granted by the HKC as detailed below.

3 The corporate interest of Mr. Oei represents an interest in 2,784,432,448 shares of HKC and an interest in 278,443,244 underlying shares in respect of warrants issued by HKC held by Creator, and an interest in 191,573,918 shares of HKC and an interest in 19,157,391 underlying shares in respect of warrants issued by HKC held by Genesis Capital Group Limited ("Genesis"), a company owned as to 50% by Mr. Oei and as to the remaining 50% by his wife, Mrs. Oei Valonia Lau ("Mrs. Oei").

4 The joint interest of Mr. Oei represents an interest in 1,624,305 shares of HKC and an interest in 3,638,430 underlying shares in respect of warrants issued by HKC jointly held with his wife, Mrs. Oei.

5 The family interest of Mr. Oei represents an interest in 3,000,000 underlying shares in respect of options granted by HKC to Mrs. Oei.

6 The personal interest of Mr. Chen represents an interest in 70,513,086 shares of HKC, an interest in 6,551,308 underlying shares in respect of warrants issued by HKC and an interest in 25,000,000 underlying shares in respect of options granted by HKC as detailed below.

7 The personal interest of Mr. Tsang represents an interest in 2,403,409 shares of HKC, an interest in 180,340 underlying shares in respect of warrants issued by HKC and an interest in 15,000,000 underlying shares in respect of options granted by HKC as detailed below.

8 The personal interest of Mr. Chan represents an interest in 13,000,000 underlying shares in respect of options granted by HKC as detailed below.

9 The personal interest of Mr. Liu represents an interest in 7,500,000 underlying shares in respect of options granted by HKC as detailed below.

(iii) Interest in share options of associated corporation of the Company

Share options granted under the share option scheme of HKC adopted on 16th June 2006.

Name	Nature of interest	Number of share options outstanding at 30th June 2008	Date of grant	Exercise period	Exercise price per share HK$	Closing price per share immediately before the date of grant HK$
Mr. Oei	Personal	562,500	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		937,500	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		300,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		450,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		750,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630
	Family	562,500	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		937,500	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		300,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		450,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		750,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630
Mr. Chen	Personal	4,000,000	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		6,500,000	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		2,500,000	15th December 2006	15th December 2009 to 14th December 2016	1.420	1.410
		2,400,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		3,600,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		6,000,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630

DIRECTORS' INTERESTS *(Continued)*

(iii) Interest in share options of associated corporation of the Company *(Continued)*

Name	Nature of interest	Number of share options outstanding at 30th June 2008	Date of grant	Exercise period	Exercise price per share HK$	Closing price per share immediately before the date of grant HK$
Mr. Tsang	Personal	2,000,000	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		5,000,000	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		1,600,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		2,400,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		4,000,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630
Mr. Chan	Personal	1,000,000	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		1,500,000	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		2,500,000	15th December 2006	15th December 2009 to 14th December 2016	1.420	1.410
		1,600,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		2,400,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		4,000,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630
Mr. Liu	Personal	1,800,000	15th December 2006	15th December 2007 to 14th December 2016	1.420	1.410
		3,000,000	15th December 2006	15th December 2008 to 14th December 2016	1.420	1.410
		540,000	1st February 2008	1st February 2009 to 31st January 2018	1.656	1.630
		810,000	1st February 2008	1st February 2010 to 31st January 2018	1.656	1.630
		1,350,000	1st February 2008	1st February 2011 to 31st January 2018	1.656	1.630

DIRECTORS' INTERESTS *(Continued)*

Save as disclosed above, as at 30th June 2008, none of the Directors or chief executive of the Company held any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests

As at 30th June 2008, the following persons (other than a director or chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long positions in the shares of the Company

Name	Nature of interest	Number of Shares	Approximate percentage of the existing issued share capital of the Company
HKC	Beneficial owner	572,598,298	74.99%
Creator	Corporate	572,598,298[1]	74.99%
Mrs. Oei	Family	572,598,298[2]	74.99%

Notes:

1 Creator is beneficially interested in 37.78% of the issued share capital of HKC and thus, is deemed to be interested in the same parcel of shares in which HKC is interested.

2 Mrs. Oei is deemed to be interested in the same parcel of shares in which Mr. Oei is taken to be interested.

Save as disclosed above, at 30th June 2008, no other interests or short positions in the shares or underlying shares of the Company were recorded in the register required to be kept by the Company under section 336 of the SFO.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend (2007: Nil) for the six months ended 30th June 2008.

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 Listing Rules, and reports to the Board. The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30th June 2008, 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.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30th June 2008.

CORPORATE GOVERNANCE

The Company has complied throughout the six months ended 30th June 2008 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 office ("CEO") should be separate and performed by different individuals. Under the current organization structure of the Company, the functions of a CEO are performed by Executive Chairman, Mr. Oei Kang, Eric, with support from other Executive Directors and senior management. We consider that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board will nevertheless review the structure from time to time and will consider to look for a suitable candidate to take up the role of the CEO.

Under the Code Provision A.4.1, non-executive directors should be appointed for specific term and subject to re-election. However, the independent non-executive Directors of the Company were not appointed for specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of 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 2008.

By order of the Board

HONG KONG ENERGY (HOLDINGS) LIMITED

TSANG Sai Chung, Kirk

Company Secretary

Hong Kong, 10th September 2008

HONG KONG ENERGY (HOLDINGS) LIMITED
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