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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)*

### **DISCLOSEABLE TRANSACTION**

### **APPROVAL FOR IMPLEMENTATION OF THE WINDPOWER PROJECT AT LUNAOBAO, HEBEI**

The Board refers to the announcement issued by the Company on 21 April 2008 in relation to, inter alia, the Lunaobao Project, and is pleased to announce that the National Development and Reform Commission has granted the approval for implementation of the Lunaobao Project on 17 July 2008.

For the purpose of implementing the Lunaobao Project, the Group entered into the JV Agreement with its PRC partner on 6 August 2008. Based on the proposed capital commitment set forth in the JV Agreement, the formation of the JV will constitute a discloseable transaction for the Company under Rules 14.04(1)(f) and 14.06(2) of the Listing Rules. A circular containing, among other things, further details of the Lunaobao Project will be despatched to the Shareholders as soon as practicable.

### **THE LUNAOBAO PROJECT**

The Board refers to the announcement issued by the Company on 21 April 2008 in relation to, inter alia, the Lunaobao Project, and is pleased to announce that the National Development and Reform Commission has granted the approval for implementation of the Lunaobao Project on 17 July 2008. The particulars of the Lunaobao Project are summarised below:

- Parties:
- (1) CECWP, a wholly-owned subsidiary of CECIC; and
  - (2) HKE (DH), a wholly-owned subsidiary of the Company

CECIC is the only national investment company in the fields of energy conservation and environmental protection. Other than being a joint venture partner of the Company's holding company, CECIC and its ultimate beneficial owner(s) are, to the best of the knowledge, information and belief of the Directors after having made reasonable enquiry, third parties independent of the Company and its connected persons.

Location of the project: On Bashang plateau of Zhangjiakou City (張家口壩上地區) in Lunaobao, Zhangbei County, Hebei Province, the PRC (中國河北省張北縣綠腦包)

Size of the project: 100.5MW with sixty-seven (67) 1,500KW wind turbines

Generating capacity: Approximately 242 million KW.h per year

Total investment cost: About RMB950.78 million (approximately HK\$1,081.99 million)

Form of co-operation: For the purpose of implementing the Lunaobao Project, CECWP and HKE (DH) entered into the JV Agreement on 6 August 2008. In accordance with the terms of the JV Agreement, CECWP and HKE (DH) will set up a joint venture company in the PRC for the purpose of investing in, constructing and operating the Lunaobao Project. The JV will be owned as to 70% by CECWP and 30% by HKE (DH). The proposed registered capital of the JV of RMB323.26 million (approximately HK\$367.87 million) is determined with reference to the estimated total investment cost of the Lunaobao Project and represents approximately 34% of such cost. It will be contributed as to 70% (about RMB226.28 million or HK\$257.51 million) by CECWP and 30% (about RMB96.98 million or HK\$110.36 million) by HKE (DH). Pursuant to the JV Agreement, HKE (DH) is required to make its capital contribution to the JV by cash within 30 days from the date of issue of the business license of the JV.

The difference between the total investment and the registered capital of the JV is intended to be financed by the JV itself through bank borrowings.

The board of the JV shall have five members and CECWP shall have the right to nominate three directors while HKE (DH) shall have the right to nominate two directors.

CECWP and HKE (DH) will be entitled to share the distributable profits of the JV (after deduction of the relevant taxes and contributions to the statutory reserves) in proportion to their respective shareholdings, i.e. 70% and 30%.

Following establishment of the JV, the Company will have an effective interest of 30% in the JV. The JV will not become a subsidiary of the Company at this level of shareholding. Accordingly, its assets, liabilities and results will not be consolidated with those of the Group. Instead, it will be accounted for by the equity method of accounting. The Company will treat its investment in the JV as an investment in associated companies, and will account for its results upon dividend received or receivable and its investment in the JV will be carried at fair value.

Expected completion date: By the end of 2010

## **REASONS FOR, AND BENEFITS OF, THE LUNAOBAO PROJECT**

The Company is an investment holding company and its subsidiaries are principally engaged in alternative energy business and software development business. The Lunaobao Project is the third alternative energy project formally committed or to be undertaken by the Group after the change of its controlling shareholder in March this year.

Renewable energy sector investment is currently actively advocated by the PRC Government and the Renewable Energy Law of the PRC requires the state-owned power grid to give priority and pay premium rates for power generated by privately-owned companies using “clean” generating methods. Apart from the premium rates, it is expected that other benefits, such as those offered under the CDM, would also be available to the Group. The Board believes that the successful implementation of the Lunaobao Project can further strengthen the Group’s alternative energy sector investment and contribute to the future revenue and income growth of the Group, and considers the terms of the JV Agreement to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Based on the proposed capital commitment set forth in the JV Agreement, the formation of the JV will constitute a discloseable transaction for the Company under Rules 14.04(1)(f) and 14.06(2) of the Listing Rules. The Board confirms that apart from the contribution to the registered capital of the JV as mentioned above, it does not foresee any other capital commitment/guarantee which are required to be provided by the Group in connection with the JV. If the Group is required to commit further funding to the JV in excess of its expected maximum contribution as set out above, such further funding shall be subject to compliance with the Listing Rules by the Company. The Group intends to finance its capital contribution towards the JV from its internal resources.

A circular containing, among other things, further details of the Lunaobao Project will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

The following expressions in this announcement have the meanings set out below unless the context requires otherwise:

“Board”	the board of the Directors
“CDM”	the Clean Development Mechanism established under the Kyoto Protocol
“CECIC”	中國節能投資公司 (China Energy Conservation Investment Corporation*), a state-owned enterprise established in the PRC
“CECWP”	中節能風力發電投資有限公司 (China Energy Conservation Windpower Investment Company Limited*), a wholly-owned subsidiary of CECIC
“Company”	Hong Kong Energy (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange

\* *The unofficial English transliterations or translations are for identification purpose only.*

“connected person”	has the meaning ascribed to such term in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKE (DH)”	HKE (Da He) Holdings Limited, a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“JV”	an equity joint venture enterprise to be established and held as to 70% by CECWP and 30% by HKE (DH)
“JV Agreement”	the joint venture agreement entered into by CECWP and HKE (DH) on 6 August 2008 relating to the establishment of the JV
“KW”	kilowatt
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lunaobao Project”	concession project of 100.5MW windfarm at Lunaobao, Zhangbei County, Hebei Province, the PRC (中國河北省張北縣綠腦包)
“MW”	megawatt
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board  
**Hong Kong Energy (Holdings) Limited**  
**Tsang Sai Chung, Kirk**  
*Company Secretary*

Hong Kong, 12 August 2008

*As at the date of this announcement, the Board comprises eight Directors of which Mr. Oei Kang, Eric, Mr. Chen Libo, Mr. Tsang Sai Chung, Kirk and Mr. Chan Kwok Fong, Joseph 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.*

*For the purpose of this announcement, the translation of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.138. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*