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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.hkenergy.com.hk)

CONTINUING CONNECTED TRANSACTIONS

SHARING OF OFFICE AND OTHER FACILITIES

AND

PROVISION OF MANAGEMENT SERVICES BY HKC TO THE GROUP

On 14 August 2008, the Company entered into the Office Sharing and Services Provision Agreement with HKC, pursuant to which HKC has agreed to:

- (i) grant (or procure its subsidiaries to grant) a license to the Group to occupy and use certain areas within the Property at an initial license fee of HK\$121,200 per month; and
- (ii) provide (or procure its subsidiaries to provide) the Management Services to the Group at an initial service fee of HK\$298,600 per month.

In addition to, and in connection with, the License granted by the HKC Group to the Group under the Office Sharing and Services Provision Agreement, the Company also agrees to pay an additional fee of HK\$22,600 per month to HKC initially for sharing the Administrative Expenses incurred as a result of its use of the various office equipments and facilities made available by the HKC Group to the Group at the Property.

As at the date of this announcement, the Company is beneficially owned as to approximately 74.99% by HKC, HKC is thus a connected person of the Company under the Listing Rules. The entering into of the Office Sharing and Services Provision Agreement by the Company and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules.

Pursuant to Rule 14A.33(2) of the Listing Rules, the sharing of the Administrative Expenses by the Group and the HKC Group shall be exempted from all reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

For the granting of the License and the provision of the Management Services, although the relevant percentage ratios (other than the profit ratio) set out in Rule 14.07 of the Listing Rules in respect of the annual cap for each of these transactions will not, on an annual basis, exceed 2.5%, these continuing connected transactions are still subject to reporting and announcement requirements given that the annual consideration has exceeded HK\$1,000,000. Nevertheless, they will be exempted from independent shareholders' approval requirements under the Listing Rules.

OFFICE SHARING AND SERVICES PROVISION AGREEMENT DATED 14 AUGUST 2008

- Parties** : The Company and HKC
- Effective period** : From 1 August 2008 to 31 December 2010
- Nature of transactions** : (1) *Sharing of office space*

The HKC Group is the registered owner of the Property. Pursuant to the Office Sharing and Services Provision Agreement, HKC has agreed to grant (or procure its subsidiaries to grant) a license to the Group to occupy and use certain areas within the Property at an initial license fee of HK\$121,200 per month (inclusive of all rates, management fees, water and electricity charges). Assuming that the Licensed Area remains unchanged, the License Fee will be increased to HK\$127,250 per month for the year ending 31 December 2009 and HK\$133,583 per month for the year ending 31 December 2010 to reflect the general inflation rate. The License Fee is payable by the Company to HKC in cash on or before the 30th day of each month. The Licensed Area occupies a gross floor area of approximately 4,847 square feet and is currently used by the Group as its principal place of business in Hong Kong.

(2) *Sharing of Administrative Expenses*

In addition to, and in connection with, the License granted by the HKC Group to the Group, the Company also agrees to pay an additional fee of HK\$22,600 per month to HKC initially for sharing the Administrative Expenses incurred as a result of its use of the various office equipments and facilities made available by the HKC Group to the Group at the Property. Pursuant to the Office Sharing and Services Provision Agreement, such fee will be increased to HK\$23,667 per month for the year ending 31 December 2009 and HK\$24,833 per month for the year ending 31 December 2010 to reflect the expected increase in labour costs and other overheads in the next few years. Such fee is payable by the Company to HKC in cash on or before the 30th day of each month.

(3) *Provision of Management Services*

Pursuant to the Office Sharing and Services Provision Agreement, HKC has also agreed to provide (or procure its subsidiaries to provide) the Management Services to the Group at an initial service fee of HK\$298,600 per month. The Management Services will include such management, consultancy, strategic and business advice services as may be required by the Group from time to time in connection with its alternative energy business in Hong Kong and the PRC. Pursuant to the Office Sharing and Services Provision Agreement, the Management Fee will be increased to HK\$338,667 per month for the year ending 31 December 2009 and HK\$578,500 per month for the year ending 31 December 2010 to reflect the anticipated growth in the operation of the Group and an expected increase in labour costs and other overheads in the next few years. The Management Fee is payable by the Company to HKC in cash on or before the 30th day of each month.

- Basis of consideration** :
- (1) The License Fee was determined after arm's length negotiation between the parties having regard to the prevailing market rates of similar commercial properties in the same vicinity and is equivalent to approximately HK\$25 per square foot based on the initial License Fee.
 - (2) The Administrative Expenses incurred by the HKC Group in connection with maintaining the office equipments and facilities at the Property are shared with the Group on a cost basis and with reference to the number of staff employed by each group at the Property. The Directors, including the independent non-executive Directors, are of the view that such basis of allocation is fair and equitable.
 - (3) The Management Fee was determined after arm's length negotiation between the parties and reflects the actual costs incurred by the HKC Group in providing the Management Services. When determining the Management Fee, the parties took into account the number of staff required for providing the Management Services, the remuneration of such staff, the amount of time devoted by such staff towards the affairs of the Group (which is measured by the respective capital commitment of the HKC Group and the Group towards alternative energy investment at the moment) and other costs incurred in connection therewith, such as travelling and office rental expenses.

Proposed annual cap : Based on the amount of fees set out in the Office Sharing and Services Provision Agreement, it is proposed that the annual cap for the granting of the License shall be HK\$606,000, HK\$1,527,000 and HK\$1,603,000 for each of the three financial years ending 31 December 2008, 2009 and 2010 and the annual cap for the provision of the Management Services shall be HK\$1,493,000, HK\$4,065,000 and HK\$6,942,000 for each of the three financial years ending 31 December 2008, 2009 and 2010.

REASONS FOR, AND BENEFITS OF, THE CONTINUING CONNECTED TRANSACTIONS

HKC is an investment holding company and its subsidiaries are principally engaged in construction, property development and investment, and infrastructure and alternative energy investment. It became the controlling shareholder of the Company in March 2008 and is determined to turn the Group into the principal vehicle of the enlarged group in the area of alternative energy businesses.

The Group is now engaged in both alternative energy business and software development business but before HKC became the controlling shareholder of the Group, the Group was only engaged in the business of software development. It does not have the sufficient number of qualified and trained personnel to undertake those alternative energy projects. Therefore, the parties entered into the Office Sharing and Services Provision Agreement to enable the sharing of HKC's experience and expertise in the areas of alternative energy businesses with the Group. In addition, the sharing of office space and Administrative Expenses as contemplated under the Office Sharing and Services Provision Agreement also enables both parties to enjoy savings in their operational costs.

Given that the License Fee payable by the Group reflects the prevailing market rate for similar commercial properties in the same vicinity and the Administrative Expenses and Management Fee are shared and charged on a cost basis, the Directors, including the independent non-executive Directors, are of the view that the Office Sharing and Services Provision Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Besides, the Directors, including the independent non-executive Directors, also consider the Office Sharing and Services Provision Agreement and the transactions contemplated thereunder to be on normal commercial terms and in the ordinary and usual course of business of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is beneficially owned as to approximately 74.99% by HKC, HKC is thus a connected person of the Company under the Listing Rules. The entering into of the Office Sharing and Services Provision Agreement by the Company and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Rule 14A.14 of the Listing Rules.

Pursuant to Rule 14A.33(2) of the Listing Rules, the sharing of the Administrative Expenses by the Group and the HKC Group shall be exempted from all reporting, announcement and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

For the granting of the License and the provision of the Management Services, although the relevant percentage ratios (other than the profit ratio) set out in Rule 14.07 of the Listing Rules in respect of the annual cap for each of these transactions will not, on an annual basis, exceed 2.5%, these continuing connected transactions are still subject to reporting and announcement requirements given that the annual consideration has exceeded HK\$1,000,000. Nevertheless, they will be exempted from independent shareholders' approval requirements under the Listing Rules.

DEFINITIONS

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

“Administrative Expenses”	includes Internet and telephone charges, courier and delivery expenses, office equipment and leasehold depreciation, property all risk and public liability insurance premium, and photocopying and other ancillary office expenses
“Board”	the board of Directors
“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKC”	HKC (Holdings) Limited, a company incorporated in Bermuda with limited liability and the controlling shareholder of the Company. The shares of HKC are listed on the Stock Exchange
“HKC Group”	HKC and its subsidiaries which shall, for the purposes of this announcement, exclude the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“License”	the license granted by the HKC Group to the Group to occupy the Licensed Area and use other common areas as detailed in the Office Sharing and Services Provision Agreement
“Licensed Area”	an area within the Property of approximately 4,847 square feet licensed by the HKC Group to the Group pursuant to the Office Sharing and Services Provision Agreement
“License Fee”	the fees payable by the Group to the HKC Group for the granting of the License

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Fee”	the fees payable by the Group to the HKC Group for the provision of the Management Services
“Management Services”	the management, consultancy, strategic and business advice services to be provided by the HKC Group to the Group in connection with its alternative energy business in Hong Kong and the PRC
“Office Sharing and Services Provision Agreement”	the agreement dated 14 August 2008 between HKC and the Company in relation to the granting of the License, the sharing of the Administrative Expenses and the provision of the Management Services
“PRC”	the People’s Republic of China
“Property”	9/F., Tower 1, South Seas Centre, 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong
“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, 14 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.