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If you have sold or transferred all your shares in Hong Kong Energy (Holdings) Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

DISCLOSEABLE TRANSACTION

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

A letter from the board of directors of Hong Kong Energy (Holdings) Limited is set out on pages 3 to 6 of this circular.

29 August 2008

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed to such term in the Listing Rules
“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 main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to such term in the Listing Rules
“Director(s)”	the director(s) 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, the shares of which are listed on the main board of the Stock Exchange and the controlling shareholder of the Company
“HKE (DH)”	HKE (Da He) Holdings Limited, a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV”	an equity joint venture enterprise to be established and held as to 70% by CECWP and 30% by HKE (DH)

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

DEFINITIONS

“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
“Latest Practicable Date”	26 August 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

For the purpose of this circular, 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.



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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)

Executive Directors:

Mr. Oei Kang, Eric (*Executive Chairman and
Chief Executive Officer*)
Mr. Chen Libo (*Vice Chairman*)
Mr. Tsang Sai Chung, Kirk
Mr. Chan Kwok Fong, Joseph

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Non-executive Director:

Mr. Liu Zhixin

Principal place of

business in Hong Kong:

9th Floor, Tower 1
South Seas Centre
75 Mody Road
Tsimshatsui East
Kowloon
Hong Kong

Independent non-executive Directors:

Mr. Zhang Songyi
Mr. Tang Siu Kui, Ernest
Mr. Yu Hon To, David

29 August 2008

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

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

1. INTRODUCTION

On 12 August 2008, the Board announced that the National Development and Reform Commission had granted the approval for implementation of the Lunaobao Project. 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. The main purpose of this circular is to provide you with further particulars of the Lunaobao Project.

LETTER FROM THE BOARD

2. THE LUNAOBAO PROJECT

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 enterprise 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

LETTER FROM THE BOARD

HKE (DH). Pursuant to the JV Agreement, HKE (DH) is required to make its capital contribution to the JV in 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%.

Expected completion date: By the end of 2010

3. 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.

LETTER FROM THE BOARD

4. EFFECTS ON THE EARNINGS, AND ASSETS AND LIABILITIES OF THE GROUP

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.

The Directors expect that the establishment of the JV will not have any immediate impact on the earnings and liabilities of the Group but will bring about a stable income stream for the Group in the long run after the windfarm comes into operation. The investment in the JV will be treated as long-term assets of the Group.

5. 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.

6. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Hong Kong Energy (Holdings) Limited
Tsang Sai Chung, Kirk
Company Secretary

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date, 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 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 Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

(i) 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
Oei Kang, Eric ("Mr. Oei")	Corporate ¹	572,598,298	74.99%

(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	Mr. Oei	Personal ²	192,940,410	2.380%
		Corporate ³	3,273,607,001	40.381%
		Joint ⁴	10,916,735	0.135%
		Family ⁵	3,000,000	0.037%
	Chen Libo ("Mr. Chen")	Personal ⁶	102,064,394	1.259%
	Tsang Sai Chung, Kirk ("Mr. Tsang")	Personal ⁷	17,583,749	0.217%
	Chan Kwok Fong, Joseph ("Mr. Chan")	Personal ⁸	13,000,000	0.160%

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

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

Name	Nature of interest	Number of options outstanding as at the Latest Practicable Date	Date of grant	Exercise period	Exercise price per share (HK\$)
Mr. Oei	Personal	562,500	15 December 2006	15 December 2007 to 14 December 2016	1.420
		937,500	15 December 2006	15 December 2008 to 14 December 2016	1.420
		300,000	1 February 2008	1 February 2009 to 31 January 2018	1.656
		450,000	1 February 2008	1 February 2010 to 31 January 2018	1.656
		750,000	1 February 2008	1 February 2011 to 31 January 2018	1.656
	Family	562,500 ⁵	15 December 2006	15 December 2007 to 14 December 2016	1.420
		937,500	15 December 2006	15 December 2008 to 14 December 2016	1.420
		300,000	1 February 2008	1 February 2009 to 31 January 2018	1.656
		450,000	1 February 2008	1 February 2010 to 31 January 2018	1.656
		750,000	1 February 2008	1 February 2011 to 31 January 2018	1.656

Name	Nature of interest	Number of options outstanding as at the Latest Practicable Date	Date of grant	Exercise period	Exercise price per share (HK\$)
Mr. Chen	Personal	4,000,000	15 December 2006	15 December 2007 to 14 December 2016	1.420
		6,500,000	15 December 2006	15 December 2008 to 14 December 2016	1.420
		2,500,000	15 December 2006	15 December 2009 to 14 December 2016	1.420
		2,400,000	1 February 2008	1 February 2009 to 31 January 2018	1.656
		3,600,000	1 February 2008	1 February 2010 to 31 January 2018	1.656
		6,000,000	1 February 2008	1 February 2011 to 31 January 2018	1.656
Mr. Tsang	Personal	2,000,000	15 December 2006	15 December 2007 to 14 December 2016	1.420
		5,000,000	15 December 2006	15 December 2008 to 14 December 2016	1.420
		1,600,000	1 February 2008	1 February 2009 to 31 January 2018	1.656
		2,400,000	1 February 2008	1 February 2010 to 31 January 2018	1.656
		4,000,000	1 February 2008	1 February 2011 to 31 January 2018	1.656

Name	Nature of interest	Number of options outstanding as at the Latest Practicable Date	Date of grant	Exercise period	Exercise price per share (HK\$)
Mr. Chan	Personal	1,000,000	15 December 2006	15 December 2007 to 14 December 2016	1.420
		1,500,000	15 December 2006	15 December 2008 to 14 December 2016	1.420
		2,500,000	15 December 2006	15 December 2009 to 14 December 2016	1.420
		1,600,000	1 February 2008	1 February 2009 to 31 January 2018	1.656
		2,400,000	1 February 2008	1 February 2010 to 31 January 2018	1.656
		4,000,000	1 February 2008	1 February 2011 to 31 January 2018	1.656

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 in which HKC is interested.
2. The personal interest of Mr. Oei represents an interest in 172,673,100 shares of 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 HKC as stated above.
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, 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 5,454,305 shares of HKC and an interest in 5,462,430 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 stated above.
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 stated above.
8. The personal interest of Mr. Chan represents an interest in 13,000,000 underlying shares in respect of options granted by HKC as stated above.

Save as disclosed above, as at the Latest Practicable Date, 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.

(b) Substantial shareholders

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any option in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(i) 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.

(ii) Interests in other members of the Group:

Name of subsidiary	Approximate percentage of interests held		Name of the other shareholder
	the Group	the other shareholder	
Hong Kong Biomass Energy (BVI) Co., Limited	55%	45%	GeneHarbor (Hong Kong) Technologies Limited

According to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, save as disclosed above, there were no other persons (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any option in respect of such capital.

(c) Other

Save as disclosed below, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Name of company which had such discloseable interest or short position	Position within such company
Mr. Oei	HKC, Creator	Director
Mr. Chen	HKC	Director
Mr. Tsang	HKC	Director
Mr. Chan	HKC	Director

3. LITIGATION

So far as the Directors are aware, no member of the Group was engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

4. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one (1) year without payment of compensation (other than statutory compensation)).

5. COMPETING INTERESTS

Mr. Oei, Mr. Chen, Mr. Tsang and Mr. Chan are executive directors of HKC. One of the business activities of HKC is alternative energy business in the PRC.

Save as disclosed above, none of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. MISCELLANEOUS

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at 9th Floor, Tower 1, South Seas Centre, 75 Mody Road, Tsimshatsui East, Kowloon, Hong Kong.
- (c) The secretary of the Company is Mr. Tsang Sai Chung, Kirk, a qualified solicitor in Hong Kong.
- (d) The qualified accountant of the Company is Mr. Leung Wing Sum, Samuel, a certified practising accountant of CPA Australia.
- (e) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.