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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in Blue Sky Power Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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# Blue Sky Power Holdings Limited
# 藍天威力控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Hong Kong Stock Code: 6828)**
**(Singapore Stock Code: UQ7)**

## (1) MAJOR TRANSACTION INVOLVING THE ISSUE OF CONVERTIBLE BONDS AND (2) NOTICE OF SPECIAL GENERAL MEETING

**Financial adviser to Blue Sky Power Holdings Limited**

Quam CAPITAL 華富嘉洛企業融資

Unless the context otherwise requires, capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 6 to 24 of this circular. A notice convening the SGM to be held at Level 21, The Center, 99 Queen's Road Central, Central, Hong Kong at 11:00 a.m. on Tuesday, 13 January 2015 is set out on pages N-1 to N-3 of this circular. The SGM is to be held to approve matters referred to in this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time of the meeting or any adjournment thereof to the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders) or the Company's Singapore share transfer agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 (for Singapore Shareholders). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so wish.

23 December 2014

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

| | |
|---|---|
| "Acquisition" | the proposed acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement |
| "Acquisition Agreement" | the conditional sale and purchase agreement dated 3 November 2014 entered into between the Purchaser and the Vendor in relation to the Acquisition |
| "AUD" | Australian dollars, the lawful currency of Australia |
| "Bermuda Companies Act" | the Companies Act 1981 of Bermuda, as amended or modified from time to time |
| "Board" | the board of Directors |
| "Business Day(s)" | any day (excluding (i) Saturday, Sunday public holiday; (ii) any day on which a tropical cyclone warning number 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon; or (iii) any day on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business |
| "Bye-laws" | the bye-laws of the Company as amended or modified from time to time |
| "CDP" | The Central Depository (Pte) Limited, or its nominee(s), as the case may be |
| "Companies Act" | Companies Act (Cap. 50) of Singapore, as may be amended, modified or supplemented from time to time |

| | |
|---|---|
| "Company" | Blue Sky Power Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are primary listed on the Main Board of the Stock Exchange and secondary listed on the Singapore Exchange Securities Trading Limited |
| "Completion" | completion of the Acquisition Agreement pursuant to the terms and conditions thereof |
| "Completion Date" | the day on which Completion takes place |
| "connected person(s)" | has the meaning ascribed to it in the Listing Rules and the word "connected" shall be construed accordingly |
| "Consideration" | the consideration for the Sale Shares payable by the Purchaser and/or the Company pursuant to the Acquisition Agreement |
| "Conversion Price" | the conversion price of HK$0.408 per Conversion Share of the Convertible Bonds (subject to adjustment as set out and in accordance with the terms and conditions of the Convertible Bonds) |
| "Conversion Shares" | the 350,490,196 new Shares to be allotted and issued by the Company upon conversion of the Convertible Bonds at the Conversion Price |
| "Convertible Bonds" | the convertible bonds in a principal amount of HK$143,000,000 to be issued by the Company at the Conversion Price to the Vendor for satisfying part of the Consideration, with nil interest for a conversion period of three years from the date of issue |
| "Depositor" | a person being a depository agent or a holder of a securities account maintained with CDP and shall have the meaning ascribed to it in Section 130A of the Companies Act |
| "Depository Register" | has the meaning ascribed to it in Section 130A of the Companies Act |

| | |
|---|---|
| "Director(s)" | the director(s) of the Company |
| "Earnest Money" | the sum of HK$12,772,711 paid by the Purchaser to the Vendor following the entering into of the memorandum of understanding dated 2 July 2014 and the supplemental memoranda of understanding dated 23 July 2014, 20 August 2014, 17 October 2014 and 23 October 2014 between the Purchaser and the Vendor in relation to the Acquisition |
| "Enlarged Group" | the Group as enlarged by the Target Group upon Completion |
| "Group" | the Company and its subsidiaries |
| "Haikou Xinyuan" | 海口鑫元天然氣技術股份有限公司 (Haikou Xinyuan Natural Gas Technology Co., Ltd.*), a company established in the PRC with limited liability |
| "Haikou Xinyuan Group" | Haikou Xinyuan and its subsidiaries and associated companies |
| "HK$" | Hong Kong dollar(s), the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Third Party(ies)" | third party(ies) and their ultimate beneficial owner(s) (where applicable) which are independent of the Company and its connected persons |
| "Latest Practicable Date" | 18 December 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Long Stop Date" | 31 March 2015 (or such other date and time as the Vendor and the Purchaser may agree in writing) |

| | |
|---|---|
| "PRC" | the People's Republic of China, and for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan |
| "Purchaser" | Goldlink Capital Limited (金連投資有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company |
| "Reorganisation" | the reorganisation of the Target Group as described in the paragraph headed "The Reorganisation" in the section headed "Letter from the Board" in this circular |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Sale Shares" | the entire issued share capital of the Target Company |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| "SGM" | a special general meeting of the Company to be convened and held for the purpose of considering, and if thought fit, approving, among other things, the Acquisition Agreement and the transactions contemplated thereunder (including the specific mandate to be sought for the allotment and issue of the Conversion Shares) |
| "Shares" | ordinary share(s) of HK$0.055 each in the issued share capital of the Company |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "SFC" | Securities and Futures Commission of Hong Kong |
| "Shenzhen Hong Wheelock" | 深圳宏德豐能源有限公司 (Shenzhen Hong Wheelock Energy Co., Ltd.*), a wholly-owned foreign enterprise incorporated in the PRC and an indirect wholly-owned subsidiary of the Target Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Substantial Shareholder" | has the meaning ascribed to it in the Listing Rules |

| | |
|---|---|
| "Takeovers Code" | the Codes on Takeovers and Mergers and Share Buy-backs |
| "Target Company" | Well Organising Group Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned by the Vendor as at the Latest Practicable Date |
| "Target Group" | the Target Company, together with its subsidiaries and associated companies, upon completion of the Reorganisation |
| "US$" | United States dollar(s), the lawful currency of the United States of America |
| "Vendor" | Mr. Wu Yusheng (吳玉生), the legal and beneficial owner of the entire issued share capital of the Target Company, an Independent Third Party |
| "%" | per cent. |

*For the purpose of this circular, unless otherwise specified, translation between RMB and HK$ are based on the exchange rate of RMB1 to HK$1.26. The translation shall not be taken as representation that RMB could actually be converted into HK$ at that rate, or at all.*

*Any reference to a time of day and date shall be a reference to Hong Kong time and date unless otherwise stated.*

*Any discrepancies in tables included in this circular between the amounts listed and the totals shown thereof are due to rounding. Accordingly, figures shown as totals in this circular may not be an arithmetic aggregation of the figures that precede them.*

* *The English translation of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

# Blue Sky Power Holdings Limited
# 藍天威力控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Hong Kong Stock Code: 6828)**
**(Singapore Stock Code: UQ7)**

*Executive Directors:*
Mr. Cheng Ming Kit *(Chairman of the Board)*
Mr. Sze Chun Lee
Mr. Hung Tao
Mr. Kwok Shek San

*Non-executive Director:*
Ms. Chung Oi Ling, Stella

*Independent non-executive Directors:*
Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Ma Arthur On-hing

*Registered office:*
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Headquarters and principal place of business in Hong Kong:*
Rooms 1007-8, 10/F
New World Tower I
16-18 Queen's Road Central
Hong Kong

23 December 2014

*To the Shareholders*

Dear Sir or Madam,

## MAJOR TRANSACTION
## INVOLVING THE ISSUE OF CONVERTIBLE BONDS

### INTRODUCTION

Reference is made to the announcement of the Company dated 3 November 2014 in respect of the Acquisition.

On 3 November 2014 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company at the Consideration of HK$165 million.

The purpose of this circular is to provide you with, among others, (i) further details of the Acquisition Agreement and the transactions contemplated thereunder; (ii) the financial information of the Target Group; (iii) the financial information of the Group; (iv) pro forma financial information of the Enlarged Group; and (v) a notice convening the SGM.

**THE ACQUISITION AGREEMENT**

The principal terms and conditions of the Acquisition Agreement are as follows:

**Date**

3 November 2014

**Parties**

| | |
|---|---|
| Purchaser: | Goldlink Capital Limited（金連投資有限公司）, a wholly-owned subsidiary of the Company; and |
| Vendor: | Mr. Wu Yusheng（吳玉生） |

As at the Latest Practicable Date, the entire issued share capital of the Target Company is owned by the Vendor. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor is an Independent Third Party.

**Assets to be acquired**

Pursuant to the Acquisition Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Company.

**Consideration**

The Consideration for the Sale Shares is HK$165 million pursuant to the Acquisition Agreement. The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor after taking into account, among others, (i) the historical financial performance of Haikou Xinyuan Group, in particular its net profits and the expected contribution to the Group's net profit by Haikou Xinyuan Group upon Completion provided that Haikou Xinyuan Group will be accounted as an associated company of the Company upon Completion; (ii) the business development and future prospects of the Target Group in view of the energy conservation and emission reduction policies announced by the local government of Hainan Province in 2014 as disclosed under the paragraph headed "Reasons for and benefits of the Acquisition" in this section; and (iii) the prime opportunities for the Company to become the market leader of gas refilling stations in Hainan Province as a result of the Acquisition.

The Consideration shall be satisfied by the Purchaser and/or the Company in the following manner:

(i) HK$12,772,711 of the Consideration shall be satisfied by offsetting with the Earnest Money paid to the Vendor;

(ii) HK$9,227,289 of the Consideration shall be satisfied by the Purchaser in cash payable within seven days after the date of the Acquisition Agreement as a refundable deposit; and

(iii) the remaining HK$143,000,000 of the Consideration shall be satisfied by the issue of the Convertible Bonds to the Vendor (or its nominee(s)) within 20 days after the Completion Date.

As at the Latest Practicable Date, HK$12,772,711 of the Consideration have been paid as the Earnest Money and HK$9,227,289 of the Consideration have been paid by the Purchaser in cash as a refundable deposit to the Vendor pursuant to the Acquisition Agreement.

**Conditions precedent**

Completion shall be conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

(i) the Purchaser having obtained of a PRC legal opinion issued by a qualified PRC lawyer appointed by the Purchaser in the form and substance satisfactory to the Purchaser, and the substance of which shall include but not limited to the recognition of the legality of the Acquisition Agreement, the completion of the transfer of the Sale Shares pursuant to the Acquisition Agreement, and the establishment and operations of Haikou Xinyuan Group;

(ii) the Vendor having provided the certificate of good standing and certificate of incumbency of the Target Company in the form and substance satisfactory to the Purchaser;

(iii) the necessary licences required for Haikou Xinyuan's operation of natural gas business being remained in full force and effect, and Haikou Xinyuan having applied for the extension of the necessary licences to be expired before the applicable deadlines under the relevant laws and regulations;

(iv) the Reorganisation having been completed by Shenzhen Hong Wheelock;

(v) the results of the due diligence conducted by the Purchaser, its agents and professional advisers (whether of legal, accounting, financial, operations or other aspects considered to be important by the Purchaser) being reasonably satisfactory to the Purchaser;

(vi) if necessary, the Vendor having obtained the approvals, confirmations, waivers or consents in respect of the Acquisition Agreement and the transactions contemplated thereunder from the authorities or other relevant third parties;

(vii) the Company having obtained all the necessary approvals, consents or waivers (as the case maybe) in accordance with the Listing Rules, the Takeovers Code or other applicable regulations of the Stock Exchange and the SFC;

(viii) the Acquisition Agreement and the transactions contemplated thereunder not having constituted "reverse takeover" under Rule 14.06(6) of the Listing Rules by the Stock Exchange;

(ix) the Acquisition Agreement, the issue of the Convertible Bonds and the transactions contemplated thereunder having been approved by the Shareholders in a special general meeting of the Company in accordance with the requirements under the memorandum and articles of association of the Company and the Listing Rules;

(x) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Conversion Shares (regardless of any conditions attached to the approval or consent), and all other consent and approval involving the Stock Exchange;

(xi) the Purchaser having been satisfied that, at all time from the date of the Acquisition Agreement up to the Completion Date, all warranties given by the Vendor under the Acquisition Agreement remain true, in place, not misleading in all material aspect and not breached, and that there has been no event or situation leading to any material adverse change; and

(xii) the Purchaser not having identified or being aware of any abnormal operation of the Target Group, or any material adverse change or undisclosed material potential risks in relation to the business scope, status (including assets, financial and legal status), operation, performance or properties of the Target Group from the date of the Acquisition Agreement up to the Completion Date.

The Vendor have warranted to use its best endeavours to satisfy conditions (i) to (vi), (xi) and (xii) above on or before the Long Stop Date (including without limitation by making all necessary applications as soon as practicable after the signing of the Acquisition Agreement and the timely supply of information to the Stock Exchange).

The Purchaser has warranted to use its best endeavours to procure the Company to satisfy conditions (i), (v), (vii) to (x) above on or before the Long Stop Date (including without limitation by making all necessary applications as soon as practicable after the signing of the Acquisition Agreement and the timely supply of information to the Stock Exchange).

Save for conditions (iii), (iv) and (vi) to (x) above, the Purchaser may at its absolute discretion at any time waive in writing any of the above conditions. For the avoidance of doubt, save as mentioned above, no other party to the Acquisition Agreement may waive any of the above conditions. If the conditions have not been fulfilled (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date, the Purchaser may give termination notice to the Vendor in writing to terminate the Acquisition Agreement and its obligations thereunder with immediate effect. Unless otherwise specified in the Acquisition Agreement, no party to the Acquisition Agreement shall have any claim against or liability to the other party unless, save as those in respect of any antecedent breaches of the Acquisition Agreement.

In the event that the Acquisition Agreement is terminated pursuant to the relevant clause(s) thereof (save for the breach of the Acquisition Agreement by the Purchaser), the Vendor shall return the Earnest Money (without interest) and any deposits paid by the Purchaser to the Vendor in relation to the Acquisition within ten Business Days after the issue of termination notice by the Purchaser.

As at the Latest Practicable Date, none of the conditions above has been fulfilled.

**Completion**

Completion shall take place within ten Business Days after all conditions precedent to Completion have been satisfied or waived (as the case may be), or such later date as the Purchaser and the Vendor may agree in writing.

**THE CONVERTIBLE BONDS**

The principal terms of the Convertible Bonds are summarised below:

| | |
|---|---|
| Principal amount: | HK$143,000,000 |
| Maturity date: | Third anniversary of the date of issue (the "Maturity Date") |
| Interest: | Nil |
| Conversion Price: | HK$0.408 per Conversion Share (subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds) |

Adjustment events:

The Conversion Price shall from time to time be adjusted upon occurrences of certain events, including but not limited to the followings:

(i) consolidation or sub-division of Shares;

(ii) capitalisation of profits;

(iii) capital distribution;

(iv) issue of Shares by way of rights, options and warrants at a price which is less than 80% of the market price at the date of the announcement of the terms of the offer or grant;

(v) issue of any securities if and whenever the Company shall issue wholly for cash which are convertible into, exchangeable for or carry rights of subscription for Shares at an effective price which is less than 80% of the market price at the date of the announcement of the terms of issue of such securities;

(vi) modification of rights of conversion or exchange or subscription attaching to any such securities so that the effective price will be less than 80% of the market price at the date of the announcement of the proposal to modify such rights of conversion or exchange or subscription;

(vii) issue of Shares wholly for cash at more than 20% discount to the market price of such Shares; and

(viii) issue of Shares for acquisition of asset at more than 20% discount to the market price of such Shares.

Conversion Shares:

Based on the Conversion Price of HK$0.408, 350,490,196 Conversion Shares will be allotted and issued upon full conversion of the Convertible Bonds, which represent:

(i) approximately 7.63% of the total issued share capital of the Company as at the Latest Practicable Date; and

(ii) approximately 7.09% of the total issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds.

The Conversion Shares shall be allotted and issued under the specific mandate to be sought at the SGM.

As at the Latest Practicable Date, the authorised share capital of the Company was HK$5,005,000,000 divided into 91,000,000,000 Shares of a par value of HK$0.055 each, among which 4,596,317,730 Shares have been issued and fully paid up.

The allotment and issue of the Conversion Shares will not result in a change of control of the Company.

Conversion rights:

Each holder of the Convertible Bonds shall have the right to exercise during the conversion period of the Convertible Bonds to convert the whole or any part (in multiples of HK$500,000) of the outstanding principal amount of the Convertible Bonds held by such holder of the Convertible Bonds into such number of Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the date of conversion. No fraction of a Share shall be issued on conversion of the Convertible Bonds and no cash adjustments will be made.

Conversion restrictions:

Upon exercise of the conversion rights attaching to the Convertible Bonds,

(i) the holders of Convertible Bonds and their respective associates, together with parties acting in concert (as defined in the Takeovers Code) with them, will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; and

(ii) the public float of the Company will not be unable to meet the relevant requirements under the Listing Rules.

Conversion period: The period commencing from the date of issue of the Convertible Bonds and ending on the day which falls on the third anniversary of the date of issue of the Convertible Bonds.

Early redemption: The Company shall not be entitled to redeem all or part of the outstanding Convertible Bonds prior to the Maturity Date. Further, according to the instrument constituting the Convertible Bonds, the holders of the Convertible Bonds do not have the right to early redemption of all or part of the outstanding Convertible Bonds prior to the Maturity Date.

Ranking: The Conversion Shares shall rank pari passu in all respects among themselves and with all other existing Shares outstanding at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.

Transferability: Any transfer of the Convertible Bonds shall be in respect of the whole or any part (in multiples of HK$500,000) of the principal amount of the Convertible Bonds.

Further, according to the instrument constituting the Convertible Bonds, the Convertible Bonds must not be transferred to any person, firm or company which is a connected person (as defined in the Listing Rules) of the Company except in compliance with the applicable requirements under the Listing Rules and the Takeovers Code.

Application for listing: No application will be made to the Stock Exchange for listing of the Convertible Bonds.

Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange.

| | |
|---|---|
| Notice of conversion by other bondholders: | The Company may, upon request by the holders of the Convertible Bonds in writing, notify the holders of the Convertible Bonds about the conversion of the Convertible Bonds of the Company by other bondholders within seven Business Days from the date of receipt of the relevant conversion notice. |

**The Conversion Price**

The Conversion Price was determined after arm's length negotiation between the Purchaser and the Vendor with reference to the prevailing market price of the Shares.

The Conversion Price:

(i) represents a premium of approximately 0.74% over the closing price of HK$0.405 per Share quoted on the Stock Exchange on 3 November 2014, being the date of the Acquisition Agreement;

(ii) represents a discount of approximately 0.24% to the average closing price of approximately HK$0.409 per Share quoted on the Stock Exchange for the last five trading days up to and including 3 November 2014;

(iii) equals the average closing price of approximately HK$0.408 per Share quoted on the Stock Exchange for the last ten trading days up to and including 3 November 2014;

(iv) represents a premium of approximately 7.37% over the closing price of HK$0.38 per Share quoted on the Stock Exchange as at the Latest Practicable Date; and

(v) represents a premium of approximately 547.62% over the unaudited consolidated net asset value per Share attributable to the Shareholders of approximately HK$0.063 as at 30 June 2014, calculated based on the unaudited consolidated net assets attributable to the Shareholders of approximately HK$284,385,000 as at 30 June 2014 and the 4,514,591,030 Shares in issue as at the date of the Acquisition Agreement.

## INFORMATION OF THE TARGET GROUP

### The Target Company and its subsidiaries

The Target Company is an investment holding company incorporated in British Virgin Islands with limited liability in October 2013. The Target Company currently has three wholly-owned subsidiaries, namely Top Bonus Limited（達鵬有限公司）, Win Health Limited（宏德豐有限公司）and Shenzhen Hong Wheelock, which are also investment holding companies.

Set out below is the shareholding structure of the Target Company as at the Latest Practicable Date:



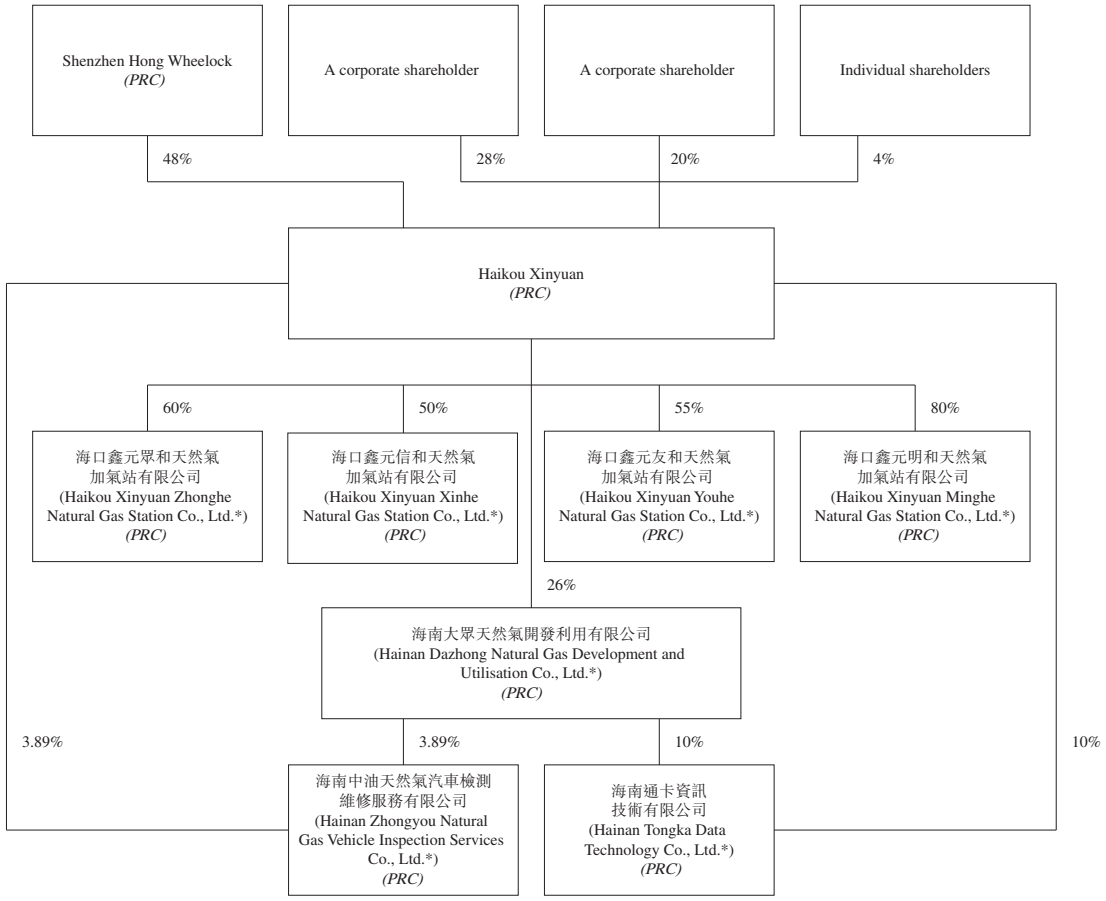

### The Reorganisation

Pursuant to the Acquisition Agreement, the Vendor shall procure Shenzhen Hong Wheelock to complete the acquisition of an aggregate of 48% equity interest in Haikou Xinyuan from certain individual and corporate shareholders of Haikou Xinyuan (the "**Existing Shareholders**"), who, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, are Independent Third Parties, such that Shenzhen Hong Wheelock shall own 48% equity interest in Haikou Xinyuan before Completion. In the event that there is any outstanding consideration between Shenzhen Hong Wheelock and the Existing Shareholders which remain unsettled immediately before Completion, the Vendor shall be solely responsible for the settlement of such balances.

The Vendor shall also procure that at least two out of the total of five board members of Haikou Xinyuan shall be nominated by Shenzhen Hong Wheelock before Completion.

Upon completion of the Reorganisation, Haikou Xinyuan shall become an associated company of the Target Company.

Set out below is the shareholding structure of Haikou Xinyuan Group upon completion of the Reorganisation:



**Haikou Xinyuan Group**

Haikou Xinyuan is a company established under the PRC law with limited liability in July 2004. It currently has four non-wholly owned subsidiaries, namely 海口鑫元眾和天然氣加氣站有限公司 (Haikou Xinyuan Zhonghe Natural Gas Station Co., Ltd.*), 海口鑫元信和天然氣加氣站有限公司 (Haikou Xinyuan Xinhe Natural Gas Station Co., Ltd.*), 海口鑫元友和天然氣加氣站有限公司 (Haikou Xinyuan Youhe Natural Gas Station Co., Ltd.*) and 海口鑫元明和天然氣加氣站有限公司 (Haikou Xinyuan Minghe Natural Gas Station Co., Ltd.*). Haikou Xinyuan and its subsidiaries are principally engaged in the construction and operation of natural gas refilling stations for vehicles and currently owned seven and one natural gas refilling stations in Haikou City and Danzhou City, Hainan Province, the PRC, respectively, of which one station in Haikou City is currently under the process of applying the relevant operation permit from the government authorities and expected to commence operation in the second quarter of 2015.

Haikou Xinyuan currently holds 26% equity interest in an associated company, 海南大眾天然氣開發利用有限公司 (Hainan Dazhong Natural Gas Development and Utilisation Co., Ltd.*) ("**Hainan Dazhong**"), which is principally engaged in the construction and operation of natural gas refilling stations for vehicles. Hainan Dazhong currently owned six and three natural gas refilling stations in Haikou City and Sanya City, Hainan Province, the PRC, respectively.

Therefore, Haikou Xinyuan Group currently altogether owned 17 natural gas refilling stations in Hainan Province, comprising 13 stations in Haikou City, 3 stations in Sanya City and 1 station in Danzhou City. As advised by the Vendor, Haikou Xinyuan Group is believed to be the largest operator of natural gas refilling stations for vehicles in Haikou City in terms of number of gas stations.

The natural gas filling stations owned by Haikou Xinyuan and its subsidiaries achieved an aggregate sales volume of natural gas of approximately 27.3 million cubic metres for the year ended 31 December 2013. The customers of the natural gas refilling stations operated by Haikou Xinyuan Group included private vehicles and public transportation such as motor buses and taxis in Hainan Province.

Haikou Xinyuan also directly and indirectly through Hainan Dazhong holds (i) approximately 12.6% effective equity investment in 海南通卡資訊技術有限公司 (Hainan Tongka Data Technology Co., Ltd.*) which is principally engaged in the development and operation of integrated circuit card for fare collection of gas refilling stations in Hainan Province; and (ii) approximately 4.9% effective equity investment in 海南中油天然氣汽車檢測維修服務有限公司 (Hainan Zhongyou Natural Gas Vehicle Inspection Services Co., Ltd.*) which is principally engaged in the provision of installation, repair and maintenance services to natural gas vehicles in Hainan Province.

**Financial information of the Target Company**

The Target Company is an investment holding company with no business operation since its incorporation in October 2013. As at 30 June 2014, the audited consolidated net liabilities of the Target Company was HK$1,237 based on the accountant's report on the Target Company as set out in Appendix II to this circular.

**Financial information of Haikou Xinyuan Group**

The following table sets out certain selected audited consolidated financial information of Haikou Xinyuan for each of the years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014 as extracted from the accountant's report on Haikou Xinyuan, the text of which is set out in Appendix III to this circular:

| | For the year ended 31 December | | | | | | For the six months ended 30 June | |
|---|---|---|---|---|---|---|---|---|
| | 2011 | | 2012 | | 2013 | | 2014 | |
| | *RMB'000* | *Equivalent to HK$'000* | *RMB'000* | *Equivalent to HK$'000* | *RMB'000* | *Equivalent to HK$'000* | *RMB'000* | *Equivalent to HK$'000* |
| Revenue | 89,663 | 112,975 | 113,190 | 142,619 | 96,526 | 121,623 | 42,772 | 53,893 |
| Profit before taxation | 14,855 | 18,717 | 13,658 | 17,209 | 16,559 | 20,864 | 6,613 | 8,332 |
| Profit after taxation attributable to the owners of Haikou Xinyuan | 10,633 | 13,398 | 10,188 | 12,837 | 11,196 | 14,107 | 4,883 | 6,153 |

As at 30 June 2014, the audited consolidated net asset value attributable to the owners of Haikou Xinyuan was approximately RMB60.2 million (equivalent to approximately HK$75.9 million) as extracted from the accountant's report on Haikou Xinyuan as set out in Appendix III to this circular.

**FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP**

Given that the Target Company, through Shenzhen Hong Wheelock, will hold 48% equity interest in Haikou Xinyuan upon completion of the Reorganisation, Haikou Xinyuan shall become an associated company of the Target Company. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company. Accordingly, the financial results and conditions of the Target Company and its subsidiaries will be consolidated into the consolidated financial statements of the Company, through which the financial results and conditions of Haikou Xinyuan Group shall be accounted for as an associated company in the consolidated financial statements of the Company using the equity method.

**Assets and liabilities**

As at 30 June 2014, the Group's unaudited consolidated total assets and total liabilities were approximately HK$364.0 million and HK$59.4 million respectively. Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group set out in Appendix V to this circular, the total assets and total liabilities of the Enlarged Group would have been increased to approximately HK$495.8 million and HK$164.3 million respectively assuming that Completion had taken place on 30 June 2014. Based on the unaudited pro forma consolidated statement of financial position of the Enlarged Group, the net asset value of the Enlarged Group would have been increased from approximately HK$304.6 million as at 30 June 2014 to approximately HK$331.5 million assuming that Completion had taken place on 30 June 2014.

**Earnings**

Haikou Xinyuan Group recorded net profit attributable to the owners of Haikou Xinyuan of approximately RMB11.2 million (equivalent to approximately HK$14.1 million) for the year ended 31 December 2013 and approximately RMB4.9 million (equivalent to approximately HK$6.2 million) for the six months ended 30 June 2014. Upon Completion, the financial results of Haikou Xinyuan Group will be reflected in the consolidated financial statements of the Company using the equity method through the consolidation of the Target Company.

The above financial effects are for illustrative purposes only and do not necessarily reflect the actual financial results and position of the Group as a result of the Acquisition. No representation is made as to the actual financial results and/or position of the Group upon completion of the Acquisition.

**REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in (i) sales and distribution of natural gas and other related products; (ii) sales of book products; and (iii) sales of specialised products. The Group began to venture into the natural gas supply industry through the acquisition of the natural gas business in Shandong Province and Liaoning Province completed in March 2014 and July 2014 respectively. The Group also proposed to expand its natural gas business operations through the acquisition of natural gas business in Sichuan Province as disclosed in the announcement of the Company dated 24 September 2014, Jiangsu Province and Guizhou Province as disclosed in the announcement of the Company dated 7 October 2014 and Hubei Province as disclosed in the announcement of the Company dated 9 October 2014.

As disclosed in the interim report of the Company for the six months ended 30 June 2014, under the PRC government's energy development strategy in the "Twelfth Five-Year" plan to adjust national energy structure and promote growth of clean energy consumption, the industry development of natural gas has enjoyed forceful support by the industry policies of the PRC. With such favourable business environment and the growing demand for natural gas consumption arising from the progressing urbanisation in the PRC, the Group has designated natural gas business as the Group's priority for its future business development. The Company will spare no efforts to explore further investment opportunities in other potential natural gas projects.

The local government of Hainan Province has announced a series of energy conservation and emission reduction policies in 2014 to cope with the PRC government's energy development strategy in the "Twelfth Five-Year" plan. One of the key policies implemented by the local government of Hainan Province is to constructively develop and promote the use of new and clean energy vehicles, such as compressed natural gas and liquefied natural gas vehicles. The local government of Hainan Province targeted to have (i) the penetration rate of over 65% vehicles using new and clean energy for all public transportation (including motor buses and taxis) in Hainan Province by 2015; (ii) the penetration rate of 100% of taxis and over 85% of motor buses using new and clean energy in Haikou City by 2015; (iii) the penetration rate of over 80% of public transportation in Hainan Province by 2020; and (iv) the penetration rate of 100% of public transportation using clean and new energy in major cities such as Haikou City and Sanya City by 2020.

Given the expected market potential of natural gas business in the PRC and that Haikou Xinyuan Group is currently one of the market leaders in natural gas refilling stations in Hainan Province, the Directors are of the view that the Acquisition is in line with the Group's business focus and will enable the Group to further establish its market presence and strengthen its existing business portfolio of natural gas business operations in the PRC.

In light of the foregoing, the Directors consider that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## EFFECTS OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) for illustrative purpose, immediately upon Completion and assuming full conversion of the Convertible Bonds:

| | **As at the Latest Practicable Date** | | **Immediately upon Completion and assuming full conversion of the Convertible Bonds** *(Note 6)* | |
|---|---|---|---|---|
| | *Number of Shares* | *Approximate %* | *Number of Shares* | *Approximate %* |
| **Directors** | | | | |
| China Print Power Limited *(Note 1)* | 196,488,480 | 4.27 | 196,488,480 | 3.97 |
| Sze Chun Lee *(Note 1)* | 1,800,000 | 0.04 | 1,800,000 | 0.04 |
| Cheng Ming Kit *(Note 2)* | 353,865,000 | 7.70 | 353,865,000 | 7.15 |
| Chung Oi Ling, Stella *(Note 3)* | 206,340,000 | 4.49 | 206,340,000 | 4.17 |
| Kwok Shek San *(Note 4)* | 7,800,000 | 0.17 | 7,800,000 | 0.16 |
| | 766,293,480 | 16.67 | 766,293,480 | 15.49 |
| **Substantial Shareholder** | | | | |
| Lee Tsz Hang *(Note 5)* | 558,493,000 | 12.15 | 558,493,000 | 11.29 |
| **The Vendor** | – | – | 350,490,196 | 7.09 |
| **Public Shareholders** | 3,271,531,250 | 71.18 | 3,271,531,250 | 66.13 |
| Total | 4,596,317,730 | 100.00 | 4,946,807,926 | 100.00 |

*Notes:*

1. Mr. Sze Chun Lee (an executive Director) holds 43.75% interest in China Print Power Limited and is deemed interested in 196,488,480 Shares held by China Print Power Limited. Mr. Sze Chun Lee personally holds 1,800,000 Shares.

2. Mr. Cheng Ming Kit (an executive Director) holds 100% interest in Grand Powerful Group Limited and is deemed interested in 260,940,000 Shares held by Grand Powerful Group Limited. Mr. Cheng Ming Kit personally holds 92,925,000 Shares.

3. Ms. Chung Oi Ling, Stella (a non-executive Director) holds 100% interest in Flame Capital Limited and is deemed interested in 206,340,000 Shares held by Flame Capital Limited.

4. Mr. Kwok Shek San is an executive Director and personally holds 7,800,000 Shares.

5. Mr. Lee Tsz Hang holds 100% interest in Win Ways Investment Limited and is deemed interested in 303,120,000 Shares held by Win Ways Investment Limited. Mr. Lee Tsz Hang personally holds 255,373,000 Shares.

6. Assuming that the shareholding structure of the Company has not changed after the Latest Practicable Date and immediately upon Completion and before full conversion of the Convertible Bonds.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition calculated in accordance with Rule 14.07 of the Listing Rules exceed 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under the Listing Rules. The Acquisition Agreement and the transactions contemplated thereunder (including the specific mandate to be sought for the allotment and issue of the Conversion Shares) are subject to the announcement and Shareholders' approval by way of poll at the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, no Shareholder has any material interest in the Acquisition which is different from other Shareholders. Accordingly, no Shareholder is required to abstain from voting at the SGM in respect of the approval of the Acquisition Agreement and the transactions contemplated thereunder.

## SPECIAL GENERAL MEETING

A notice convening the SGM to be held at Level 21, The Center, 99 Queen's Road Central, Central, Hong Kong at 11:00 a.m. on Tuesday, 13 January 2015 is set out on pages N-1 to N-3 of this circular. An ordinary resolution will be proposed at the SGM for the purpose of considering and, if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder (including specific mandate to be sought for the allotment and issue of the Conversion Shares). The ordinary resolution to be proposed at the SGM will be taken by way of poll and an announcement will be made by the Company after the SGM on the result of the SGM.

### Hong Kong

Shareholders, whether or not able to attend the SGM, are requested to complete and return the enclosed Hong Kong proxy form in accordance with the instructions printed thereon and deposit with the Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the Hong Kong

proxy form will not preclude Shareholders from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should they elect to do so. **Please note that this paragraph is only applicable to Shareholders whose Shares are registered in the branch register of members in Hong Kong.**

**Singapore**

Any Shareholder, Depositor or proxy who wishes to attend, speak and vote at the SGM may do so via video conferencing at Level 30, Singapore Land Tower, 50 Raffles Place, Singapore 048623.

If a Shareholder is unable to attend the SGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Singapore proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Company's share transfer agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 11:00 a.m. on Sunday, 11 January 2015, being a time not less than 48 hours before the time fixed for the SGM. The completion and return of the Singapore proxy form by a Shareholder will not prevent him from attending and voting at the SGM in person if he so wishes, and in such event the Singapore proxy form submitted bearing his name shall be deemed to be revoked. **Please note that this paragraph is only applicable to Shareholders who do not hold Shares through an account with CDP (i.e. who hold Shares in scrip).**

Under the Bermuda Companies Act, only a person who agrees to become a shareholder of a Bermuda company and whose name is entered in the register of members of such a Bermuda company is considered a member with rights to attend and vote at general meetings of such company. Accordingly, under Bermuda laws, a Depositor holding Shares through the CDP would not be recognised as a Shareholder, and would not have the right to attend and vote at general meetings convened by the Company. In the event that a Depositor wishes to attend and vote at the SGM, the Depositor would have to do so through CDP appointing him as a proxy, pursuant to the Bye-laws of the Company and the Bermuda Companies Act.

Pursuant to Bye-law 77 of the Company's Bye-laws, unless the CDP specifies otherwise in a written notice to the Company, the CDP shall be deemed to have appointed the Depositors who are individuals and whose names are shown in the records of the CDP as at a time not earlier than 48 hours prior to the time of the relevant general meeting supplied by the CDP to the Company as the CDP's proxies to vote on behalf of the CDP at a general meeting of the Company. Notwithstanding any other provisions in the Bye-laws, the appointment of proxies by virtue of Bye-law 77 shall not require an instrument of proxy or the lodgment of any instrument of proxy. Accordingly, Depositors (other than Depositors which are corporations) whose names are listed in the Depository Register (as defined in Section 130A of the Companies Act) as at 48 hours before the time of the SGM may attend and vote as CDP's proxies at the SGM without having to complete or return any form

of proxy. A Depositor which is a corporation and who wishes to attend and vote at the SGM must complete and return the attached Depositor proxy form, for the nomination of person(s) to attend and vote at the SGM on its behalf as CDP's proxy, in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Company's share transfer agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 11:00 a.m. on Sunday, 11 January 2015, being a time not less than 48 hours before the time fixed for the SGM.

If an individual Depositor is unable to attend the SGM personally and wish to appoint nominee(s) to attend the meeting and vote on his behalf, he must complete, sign and return the attached Depositor proxy form attached to this circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Company's share transfer agent in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 11:00 a.m. on Sunday, 11 January 2015, being a time not less than 48 hours before the time fixed for the SGM.

The completion and return of the Depositor proxy form by a Depositor (who is an individual) will not prevent him from attending and voting in person at the SGM as a proxy of CDP if he subsequently wishes to do so, and in which event the Depositor proxy form submitted bearing his name shall be deemed to be revoked.

An announcement will be made by the Company after the SGM on the results of the SGM pursuant to Rule 13.39(5) of the Listing Rules.

**RECOMMENDATIONS**

The Directors are of the view that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Acquisition and the transactions contemplated thereunder (including the specific mandate to be sought for the allotment and issue of the Conversion Shares).

**ADDITIONAL INFORMATION**

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

Yours faithfully
For and on behalf of
**Blue Sky Power Holdings Limited**
**Cheng Ming Kit**
*Chairman*

## A. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2013 and the six months ended 30 June 2014 is set out on: (i) pages 4 to 21 of the interim report for the six months ended 30 June 2014 of the Company published on 25 September 2014; (ii) pages 47 to 100 of the annual report for the year ended 31 December 2013 of the Company published on 24 March 2014; (iii) pages 51 to 108 of the annual report for the year ended 31 December 2012 of the Company published on 26 March 2013; and (iv) pages 42 to 97 of the annual report for the year ended 31 December 2011 of the Company published on 25 March 2012 respectively, which are available on the website of the Stock Exchange (www.hkex.com.hk), the website of Singapore Exchange Securities Trading Limited (www.sgx.com) and the website of the Company (www.blueskypower.holdings).

## B. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in (i) sales and distribution of natural gas and other related products; (ii) sales of book products; and (iii) sales of specialised products. Accordingly, the principal businesses of the Group can be categorised into natural gas business and printing business (i.e. the sales of book products and specialised products).

**Printing business**

Given the weak business sentiments in the printing market, the financial performance of the Group's printing business exhibited a decline in 2013. The Group's turnover generated from its printing business for the year ended 31 December 2013 amounted to approximately HK$154.7 million, representing a decrease of approximately 19.5% as compared to the year ended 31 December 2012. For the six months ended 30 June 2014, the Group's turnover generated from its printing business continued to decline to approximately HK$56.1 million for the six months ended 30 June 2014, representing a decrease of approximately 11.5% as compared to that for the same period in 2013.

Despite ongoing recovery of the economy of the United States and given the financial instability still in the European Union, the Group expects the printing business will face challenges in the coming years. The Group will strengthen its customised printing solutions and high–quality products offerings to its customers. At the same time, the Group will also prioritise the streaming of manufacturing process and manpower allocation in order to improve operation efficiency and overcome the possible challenges ahead. The Group will also continue to focus on cost control and enhance its management efficiency.

**Natural gas business**

The Group began to venture into the natural gas supply industry through the acquisition of the natural gas business in Shandong Province and Liaoning Province completed in March 2014 and July 2014 respectively. The Group also proposed to expand its natural gas business operations through the acquisition of natural gas business in Sichuan Province as disclosed in the announcement of the Company dated 24 September 2014, Jiangsu Province and Guizhou Province as disclosed in the announcement of the Company dated 7 October 2014 and Hubei Province as disclosed in the announcement of the Company dated 9 October 2014.

Under the PRC government's energy development strategy in the "Twelfth Five-Year" plan to adjust national energy structure and promote growth of clean energy consumption, the industry development of natural gas has enjoyed forceful support by the industry policies of the PRC. With such favourable business environment and the growing demand for natural gas consumption arising from the progressing urbanisation in the PRC, the Group has designated natural gas business as the Group's priority for its future business development. The Company will continue to explore further investment opportunities in other potential natural gas projects.

For the six months ended 30 June 2014, the Group's turnover generated from natural gas business amounted to approximately HK$21.2 million, which was attributable to the natural gas business in Shandong Province acquired by the Group during the period. Given the expected continual growth in demand of natural gas products in the PRC, the Directors believe that the Group's natural gas business in Shandong Province and Liaoning Province will bring recurring positive cash flow and returns to the Group, and that the Acquisition and the natural gas businesses in Sichuan Province, Jiangsu Province, Guizhou Province and Hubei Province proposed to be acquired by the Group are expected to further establish the Group's market presence and strengthen its existing business portfolio of natural gas business operations in the PRC, as well as to contribute positive cash flow and returns to the Group.

In terms of natural gas supply in the PRC, the "West to East Gas Transmission" pipelines and "Sichuan to East" pipelines are already in place, while "Myanmar to Yunnan" pipelines and the development of liquefied natural gas terminals in many coastal areas in the PRC are currently in good progress. The Company is always paying high attention to the latest development of the natural gas supply in the PRC, so as to derive the appropriate strategies in securing the relevant natural gas sources, when considering the expansion in the Group's natural gas business. With the Group's healthy low gearing financial position and the accumulated momentum from natural gas projects, the Board believes that the Group is well positioned to capture the business opportunities in the expected high growth natural gas industry in the PRC and maximise the Shareholders' returns.

Save as the Acquisition, the Group has acquired, agreed to acquire and/or proposed to acquire the following businesses and equity interests in companies since 31 December 2013, being the date to which the latest published audited accounts of the Company have been made up, whose profits or assets are expected to make a material contribution to the figures in the auditors' report or next published accounts of the Company:

(i) the acquisition of 60% equity interest of Focus On Group Limited at a consideration of HK$55,000,000 in cash. Focus On Group Limited indirectly holds 60% equity interest in 德州華鑫天然氣有限公司 (Dezhou Huaxin Natural Gas Co., Ltd.*), which holds one CNG main station and one CNG satellite station in Yu Cheng City, Shandong Province, the PRC. The acquisition constituted a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules and was completed on 3 March 2014. Details of the acquisition were disclosed in the announcements of the Company dated 25 November 2013 and 3 March 2014;

(ii) the acquisition of the entire equity interest in Cloud Decade Limited at a consideration of HK$515,432,000 satisfied by the Group as to HK$17,000,000 in cash and HK$498,432,000 by the issue of a convertible note. Cloud Decade Limited indirectly holds approximately 89.18% equity interest in 本溪遼油新時代燃氣有限公司 (Benxi Liaoyou Xinshidai Ranqi Co., Ltd.*), which entered into an exclusive operation agreement with the local government of Xihu District of Benxi City, Liaoning Province, the PRC, pursuant to which it is authorised to operate the business of providing natural gas to residential household, commercial business, industrial production and automobile fueling in the Xihu District (including Dongfenghu Steel Deep Processing Industrial Park) for 30 years, commencing on 30 March 2012. The acquisition constructed a major transaction of the Company pursuant to Chapter 14 of the Listing Rules and was completed on 30 July 2014. Details of the acquisition were disclosed in the announcements of the Company dated 5 May 2014 and 30 July 2014 and the circular of the Company dated 30 June 2014. The financial information of Cloud Decade Limited was set out in appendix II to the circular of the Company dated 30 June 2014;

(iii) the acquisition of 75% equity interest in 四川富瑞德能源開發有限公司 (Sichuan Rich Reid Energy Development Co., Ltd.*) at a total consideration of RMB17,250,000 satisfied by the Group as to RMB8,625,000 by the issue of 30,611,480 consideration shares and RMB8,625,000 in cash. The main business of the acquisition target is natural gas application, including natural gas production and processing, natural gas logistics and natural gas power generation. It currently operates and manages power generation plants in Sichuan Province, the PRC. The proposed acquisition constituted a share transaction of the Company pursuant to Chapter 14 of the Listing Rules and was completed on 12 December 2014. Details of the acquisition were disclosed in the announcements of the Company dated 24 September 2014, 3 October 2014 and 12 December 2014;

(iv) the proposed acquisition of the entire equity interest in Shine Great Investments Limited ("**Shine Great**") through (i) the subscription of new shares of Shine Great at the consideration of RMB30,000,000 payable by the Group in cash; and (ii) the acquisition of the then existing shares of Shine Great at an aggregate consideration of up to approximately HK$230,045,259 to be satisfied by the Group as to HK$17,000,000 in cash and as to HK$213,045,259 by the issue of convertible bonds by the Company. Shine Great, through its subsidiaries in the PRC, holds certain natural gas projects in Jiangsu Province and Guizhou Province, such as liquefied natural gas/compressed natural gas stations for vehicles and natural gas supply projects to industrial parks and household communities. As at the Latest Practicable Date, HK$17,000,000 of the consideration for the acquisition of the then existing shares of Shine Great has been satisfied by the Group in cash. The proposed acquisition constituted a major transaction of the Company pursuant to Chapter 14 of the Listing Rules. Details of the acquisition were disclosed in the announcements of the Company dated 7 October 2014 and 28 November 2014;

(v) the acquisition of 55% equity interest in 黃岡市環孚天然氣有限公司 (Huanggang City Central Corfu Natural Gas Company Ltd.*) at a consideration of RMB10,000,000 to be satisfied by the issue of 31,676,690 consideration shares. The acquisition target is engaged in the implementation and utilisation of natural gas projects in Huanggang City, Hubei Province, the PRC. Under a franchise operation agreement with the Development and Reform Committee of Huanggang City for a terms of 30 years commencing from 1 July 2014 to 30 June 2044, the acquisition target has been granted the rights to invest and operate the natural gas business making use of boiled off gas, to distribute natural gas to the enterprises in the Huanggang City Chemical Industrial Park (黃岡化工產業園) and the citizens located in Chen Ce Lou Town (陳策樓鎮) in Huanggang City. As at the Latest Practicable date, the acquisition target is on the planning and preparation stages for the natural gas distribution business under the franchise operation Agreement. The acquisition constituted a share transaction of the Company pursuant to Chapter 14 of the Listing Rules and was completed on 17 December 2014. Details of the acquisition were disclosed in the announcements of the Company dated 9 October 2014 and 17 December 2014; and

(vi) the entering into of a memorandum of understanding dated 25 November 2014 ("**MOU**") pursuant to which the Group agreed to (i) subscribe for 158,000,000 placement shares of Triple Energy Limited ("**Triple**") at a consideration of AUD790,000 in cash; (ii) enter into a loan agreement with Triple and its subsidiary pursuant to which the Group agrees to provide a loan in the amount of AUD500,000, which is convertible into 83,333,333 new shares of Triple, to a subsidiary of Triple; (iii) enter into a underwriting agreement for underwriting 208,333,333 placement shares in Triple; and (iv) procure and Triple shall accept a drilling company to perform certain drilling services for Triple at a consideration of not more than US$2,750,000 to be satisfied by the issue of up to 525,401,250 new shares of Triple to the Group, whereas the Group shall pay such drilling company by cash and/or by procuring the Company to allot and issue consideration shares as compensation for the drilling services to be provided. Triple is an Australian registered oil and gas exploration company listed on the Australian Stock Exchange (ticker: TNP) and, through its wholly-owned subsidiary, holds 80% interest in Heilongjiang Aolong Energy Co. Ltd., which operated a coal bed methane gas project in the PRC. The transactions contemplated under the MOU constitute share transaction of the Company pursuant to Chapter 14 of the Listing Rules. Details of the MOU were disclosed in the announcement of the Company dated 25 November 2014.

As at the Latest Practicable Date, the proposed transactions as mentioned in (iv) and (vi) above were not yet completed.

The Directors do not expect material variation to the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring companies in consequence of the above mentioned acquisitions of the Group and the Acquisition.

## C. INDEBTEDNESS STATEMENT

### 1. Convertible notes, convertible bonds, corporate bonds, bank and other borrowings

At as the close of business on 31 October 2014, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group has:

(a) unsecured and unguaranteed convertible notes, convertible bonds and corporate bonds with outstanding principal and interest in nominal amount of approximately HK$20,788,000, HK$50,164,000 and HK$10,232,000;

(b) bank borrowings of approximately HK$17,144,000 (comprised trust receipt loans of approximately HK$10,322,000 and term loans of approximately HK$6,822,000), which were secured by (i) letters of undertaking issued by the Company and one of its subsidiaries, namely Power Printing Products Limited and (ii) corporate guarantee issued by the Company and certain of its subsidiaries, namely Carta & Cuoio Company Limited and Power Printing (He Yuan) Co., Ltd; and

(c) unsecured and unguaranteed balances due to the shareholder of the Target Company of approximately HK$12,775,000.

**2. Contingent liabilities**

As at the close of business on 31 October 2014, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had no material contingent liabilities.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances, acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as at the close of business on 31 October 2014.

## D. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Completion and the present financial resources available to the Enlarged Group, including internally generated revenue and funds, other available banking and other facilities, the successful placing of corporate bonds by the placing agent engaged by the Company and an interest-free director's loan to the Group, the Enlarged Group will have sufficient working capital to meet its present requirements for at least 12 months from the date of this circular in the absence of unforeseen circumstances.

## E. MATERIAL ADVERSE CHANGE

The Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial and trading position or prospects of the Group since 31 December 2013, being the date to which the Company's latest published audited accounts were made up.

*The following is the text of a report received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

23 December 2014

The Directors
Blue Sky Power Holdings Limited

Dear Sirs,

We report on the financial information of Well Organising Group Limited (the "Target Company") and its subsidiaries (together, the "Target Group"), which comprises the consolidated statement of financial position of the Target Group and the statement of financial position of the Target Company as at 31 December 2013 and 30 June 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target Group for the period from 8 October 2013 (date of incorporation) to 31 December 2013 and for the six months ended 30 June 2014 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Blue Sky Power Holdings Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 23 December 2014 (the "Circular") in connection with the acquisition of entire equity interests in the Target Company and of the 48% equity interests in 海口鑫元天然氣技術股份有限公司 ("Haikou Xinyuan").

The Target Company was established in the British Virgin Islands (the "BVI") as a company with limited liability on 8 October 2013. As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 9 of Section II below. No audited statutory financial statements have been prepared for the Target Company and its subsidiaries as they are not subject to statutory audit requirements under the relevant rules and regulations in its jurisdictions of incorporation.

**BASIS OF PREPARATION**

For the purpose of the Financial Information of this report, the sole director of the Target Company is responsible for the preparation of the consolidated financial statements of the Target Group for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRS") (the "Underlying Financial Statements"). We have, for the purpose of this report, carried out audit procedures on the Underlying Financial Statements for the Relevant Periods in accordance with International Standards on Auditing ("ISA").

**DIRECTORS' RESPONSIBILITY**

The directors of the Company are responsible for the preparation of the Financial Information that gives true and fair view in accordance with IFRSs, the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and for such internal control as the directors of the Company determines is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

**REPORTING ACCOUNTANT'S RESPONSIBILITY**

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We have carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**OPINION IN RESPECT OF THE FINANCIAL INFORMATION**

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Target Company and of the Target Group as at 31 December 2013 and 30 June 2014 and of the Target Group's results and cash flows for the Relevant Periods in accordance with IFRSs.

## I. FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the financial information of the Target Group as at 31 December 2013 and 30 June 2014 and for the Relevant Periods prepared by the directors of the Company.

### (A) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Notes | For the period from 8 October 2013 (date of incorporation) to 31 December 2013 | For the six months ended 30 June 2014 |
|---|---|---|---|
| | | *HK$* | *HK$* |
| Revenue/Turnover | *5* | – | – |
| Administrative expense | | 610 | 635 |
| Loss before income tax | *6* | (610) | (635) |
| Income tax expense | *7* | – | – |
| Loss for the period | | (610) | (635) |
| Other comprehensive income for the period | | – | – |
| Total comprehensive income for the period | | (610) | (635) |

## (B) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 31 December 2013 HK$ | 30 June 2014 HK$ |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 395 | 760 |
| **Current liabilities** | | | |
| Amounts due to a shareholder | *10* | 997 | 1,997 |
| **Net current liabilities/ Net liabilities** | | (602) | (1,237) |
| **EQUITY** | | | |
| Share capital | *11* | 8 | 8 |
| Accumulated losses | | (610) | (1,245) |
| **Capital deficiency** | | (602) | (1,237) |

## (C) STATEMENT OF FINANCIAL POSITION

| | Notes | 31 December 2013 HK$ | 30 June 2014 HK$ |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Investment in subsidiaries | *9* | 1 | 1 |
| **Current assets** | | | |
| Amounts due from a shareholder | *10* | 7 | 7 |
| **Net assets** | | 8 | 8 |
| **EQUITY** | | | |
| Share capital | *11* | 8 | 8 |

## (D) CONSOLIDATED STATEMENT OF CASH FLOWS

| | For the period from 8 October 2013 (date of incorporation) to 31 December 2013 | For the six months ended 30 June 2014 |
|---|---|---|
| | *HK$* | *HK$* |
| **Cash flows from operating activities** | | |
| Loss before income tax | (610) | (635) |
| *Operating loss before working capital changes and net cash used in operating activities* | (610) | (635) |
| **Cash flows from financing activities** | | |
| Increase in amounts due to a shareholder | 997 | 1,000 |
| Proceeds from issue of share capital | 8 | – |
| *Net cash generated from financing activities* | 1,005 | 1,000 |
| **Net increase in cash and cash equivalents** | 395 | 365 |
| **Cash and cash equivalents at beginning of period** | – | 395 |
| **Cash and cash equivalents at end of period** | 395 | 760 |

## (E) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital | Accumulated losses | Total |
|---|---|---|---|
| | *HK$* | *HK$* | *HK$* |
| **At 8 October 2013 (date of incorporation)** | 8 | – | 8 |
| Loss and other comprehensive income for the period | – | (610) | (610) |
| **At 31 December 2013** | 8 | (610) | (602) |
| Loss and other comprehensive income for the period | – | (635) | (635) |
| **At 30 June 2014** | 8 | (1,245) | (1,237) |

## II. NOTES TO THE FINANCIAL INFORMATION

### 1. General Information

Well Organising Group Limited (the "Target Company") is incorporated in the British Virgin Islands (the "BVI") with limited liability on 8 October 2013. The address of its registered office and principal place of business is Palm Grove House, P.O. Box 438, Road Town, Tortola, BVI.

The principal activities of the Target Company and its subsidiaries are investment holding. The Target Company and its subsidiaries are collectively referred to as the "Target Group" hereafter.

The Financial Information are presented in Hong Kong Dollars ("HK$") which is also the functional currency of the Target Company.

### 2. Summary of Significant Accounting Policies

#### *2.1 Basis of preparation*

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB"), and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB.

For the purpose of preparing and presenting the Financial Information, the Target Group has consistently applied IFRSs which are effective for the accounting periods commencing on or after 1 January 2014. The significant accounting policies that have been used in the preparation of the Financial Information are summarised below. These policies have been consistently applied to the periods presented unless otherwise stated.

The Financial Information has been prepared under historical cost convention. The measurement bases are fully described in the accounting policies below.

The Financial Information have been prepared on a going concern basis which assumes the realisation of assets and satisfaction of liabilities in the ordinary course of business notwithstanding that the Target Group had net current liabilities and a capital deficiency of HK$602 and HK$1,237 as at 31 December 2013 and 30 June 2014 respectively. The going concern basis has been adopted on the basis of undertakings from the sole shareholder to provide continuing financial support to the Target Group and not to demand repayment of debts due from the Target Group until such time when the repayment will not affect the Target Group to discharge its liabilities in the normal course of business.

Should the Target Group be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of assets to their recoverable amounts and to provide for any further liabilities which might arise.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

***2.2 Basis of consolidation***

The Financial Information comprises the financial statements of the Target Company and its subsidiaries (see note 2.3).

Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are excluded from consolidation from the date that control ceases.

Inter-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the Financial Information. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the perspective of the Target Group. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Target Group.

### *2.3 Subsidiaries*

A subsidiary is an investee over which the Target Group is able to exercise control. The Target Group controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the statement of financial position of the Target Company, investment in a subsidiary is carried at cost less any impairment loss, if any. The results of the subsidiaries are accounted for by the Target Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in profit or loss of the Target Company.

### *2.4 Foreign currency translation*

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, individual financial statements of foreign operations, originally presented in a currency different from the Target Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

***2.5 Impairment of non-financial assets***

The Target Company's investment in a subsidiary is subject to impairment testing and is tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU"). As a result, some assets are tested individually for impairment and some are tested at CGU level. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset for which the future cash flow estimates have not been adjusted.

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGUs is charged pro-rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value-in-use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount of the asset or the CGU and only to the extent that the carrying amount of the asset or the CGU does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversal of impairment losses is credited to profit or loss of the financial period in which the reversals occurs.

***2.6 Financial assets***

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Target Company becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognised on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost. De-recognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. The Target Company's financial assets mainly comprise loans and receivables.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These are recognised initially at fair value, plus directly attributable transaction cost and subsequently measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of effective interest rate and transaction cost.

De-recognition of financial assets occurs when, and only when the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

*Impairment of financial assets*

At each reporting date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Target Company about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- granting concession to a debtor because of the debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

*Loans and receivables*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the financial period in which the impairment occurs. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the financial period in which the reversal occurs.

***2.7 Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand, demand deposits with banks.

***2.8 Financial liabilities***

The Target Group's financial liabilities represent amounts due to a shareholder. Financial liabilities are recognised when, and only when the Target Group becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when, and only when the obligation under the financial liability is discharged or cancelled or expires. These balances are initially recognised at their fair value and subsequently measured at amortised cost, using the effective interest method.

***2.9 Share capital***

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

***2.10 Income recognition***

Interest income is recognised on time-proportion basis using effective interest method.

***2.11 Accounting for income taxes***

*Income tax comprises current tax and deferred tax.*

Current income tax assets and/or liabilities comprise those obligations to, or claims from, taxation authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Target Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply to the period when the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Current tax and changes in deferred tax assets or liabilities are recognised as a component of income tax expense in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if: (a) the Target Group has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Target Group presents deferred tax assets and deferred tax liabilities in net if, and only if: (a) the Target Group has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

***2.12 Related parties***

(i) A person or a close member of that person's family is related to the Target Group if that person:

(a) has control or joint control over the Target Group;

(b) has significant influence over the Target Group; or

(c) is a member of the key management personnel of the Target Group or of the Target Group's parent.

(ii) An entity is related to the Target Group if:

(a) the entity and the Target Group are members of the same group.

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) both entities are joint venture of the same third party.

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group.

(f) the entity is controlled or jointly controlled by a person identified in (i).

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expect to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependants of that person or that person's spouse or domestic partner.

**3. Adoption of new or amended IFRSs**

At the date of authorisation of the Financial Information, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Target Group.

The sole director anticipates that all of these pronouncements will be adopted in the Target Group's accounting policy for the first period beginning after the effective date of the pronouncement and these new and amended IFRSs are not expected to have impact on the Target Group's Financial Information.

**4. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. During the Relevant Periods, the sole director considers that there was no significant accounting estimate or judgment was made when preparing the Financial Information.

**5. Revenue/Turnover**

The Target Group did not derive any income from investment holding during the Relevant Periods.

**6. Loss before income tax**

No auditor's remuneration incurred for the Relevant Periods as the Target Group did not carry out any audit since its date of incorporation.

**7. Income tax expense**

No Hong Kong profits tax has been provided in the Financial Information as the Target Group did not derive any assessable profit in Hong Kong for the Relevant Periods.

A reconciliation of income tax expense and accounting loss at applicable tax rate is as follows:

| | **For the period from 8 October 2013 (date of incorporation) to 31 December 2013** | **For the six months ended 30 June 2014** |
|---|---|---|
| | *HK$* | *HK$* |
| Loss before income tax | (610) | (635) |
| Tax on loss before income tax, calculated at tax rate applicable | (100) | (105) |
| Tax effect of non-deductible expense | 100 | 105 |
| Income tax expense | – | – |

No deferred tax has been provided in the Financial Information as there are no material temporary differences during the Relevant Periods.

## 8. Director's remuneration

No emoluments were paid by the Target Group to the sole director for services rendered or as an inducement to join or upon joining or as a compensation for loss of office or are there any arrangement under which the sole director waived or agreed to waive any remuneration during the Relevant Periods.

## 9. Investment in subsidiaries

Investment in subsidiaries by the Target Company represents an unlisted equity interest stated at cost as at 31 December 2013 and 30 June 2014 respectively.

As at the date of this report, the particulars of the subsidiaries directly and indirectly held by the Target Company are set out as follows:

| Company name | Date and place of incorporation/establishment and kind of legal entity | Particulars of registered capital | Effective interest held by the Target Company | | Principal activity |
|---|---|---|---|---|---|
| | | | Directly | Indirectly | |
| Top Bonus Limited | Incorporated in Hong Kong on 22 October 2013, limited liability company | HK$1 | 100% | – | Investment holding |
| Win Health Limited | Incorporated in Hong Kong on 18 March 2013, limited liability company | HK$1 | – | 100% | Investment holding |
| 深圳宏德豐能源有限公司 ("Shenzhen Hong Wheelock") | Incorporated in the PRC on 11 October 2013, wholly-owned foreign enterprise | RMB100,000 | – | 100% | Investment holding |

## 10. Amounts due from/(to) a shareholder

The amounts due are unsecured, interest-free and repayable on demand.

## 11. Share capital

| | 31 December 2013/ 30 June 2014 |
|---|---|
| | *HK$* |
| Authorised: | |
| – 50,000 shares of US$1 each | 390,000 |
| Issued and fully paid: | |
| – 1 share of US$1 | 8 |

The Target Company was incorporated on 8 October 2013. Upon incorporation, the Target Company authorised share was US$50,000 divided into 50,000 ordinary shares of US$1 each. The initial share capital was US$1, being the subscriber share of US$1.

## 12. Financial risk management

### *(a) Financial risk factors*

The Target Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investing and financing activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Target Group does not have written risk management policies and guidelines. However, the sole director periodically analyses and formulates measures to manage the Target Group's exposure to the financial risk.

Generally, the Target Group employs a conservative strategy regarding its risk management. As the Target Group's exposure to market risk is kept at a minimum level, the Target Group has not used any derivatives or other instruments for hedging purposes.

*Credit risk*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Target Group. As at the reporting dates, the Target Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligation is arising from carrying amount of the cash and cash equivalents as stated in the consolidated statement of financial position. The Target Group's cash and cash equivalents are held in major reputable financial institutions in Hong Kong, which the sole director believes are of high credit quality.

*Interest rate risk*

The Target Group is exposed to interest rate risk through the impact of interest rate changes on cash and cash equivalents. However, the Target Group does not have significant interest rate risk as the Target Group did not have significant financial assets and liabilities with floating interest rates. As the Target Group does not have significant exposure to interest rate risk, the Target Group's loss and equity are substantially independent of changes in interest rate. No sensitivity analysis on interest rate risk exposure is presented due to insignificant interest rate risk exposure.

*Foreign currency risk*

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Target Group's exposure to foreign currency risk is limited as financial assets and financial liabilities are primarily denominated in HK$ and its major subsidiary operating in the PRC with most of the transactions denominated and settled in RMB. The sole director reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant. No sensitivity analysis on foreign currency risk exposure is presented due to insignificant foreign currency risk exposure.

*Fair value risk*

The fair values of the Target Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

*Liquidity risk*

The management considered the liquidity risk to be minimal. The Target Group had net current liabilities and a capital deficiency of HK$602 and HK$1,237 as at 31 December 2013 and 30 June 2014 respectively. The sole director considers that the Target Group should have adequate resources to meet its obligations in the forthcoming year on the basis as set out in note 2.1 to the Financial Information.

***(b) Summary of financial assets and liabilities by category***

The carrying amounts of the Target Group's and the Target Company's financial assets and liabilities recognised are categorised as follows. See notes 2.6 and 2.8 for explanations on how the category of financial instruments affects their subsequent measurement.

**Target Group**

| | **31 December 2013** | **30 June 2014** |
|---|---|---|
| | *HK$* | *HK$* |
| **Financial assets** | | |
| Cash and cash equivalents | 395 | 760 |
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost: | | |
| – Amounts due to a shareholder | 997 | 1,997 |

**Target Company**

| | **31 December 2013** | **30 June 2014** |
|---|---|---|
| | *HK$* | *HK$* |
| **Financial assets** | | |
| Loans and receivables: | | |
| – Amounts due from a shareholder | 7 | 7 |

**13. Capital management**

The primary objective of the Target Group's capital risk management is to ensure its ability to continue as a going concern. The sole director considers the capital risk management policy as optimal with the continuing financial support from the sole shareholder and undertaking from the sole shareholder not to demand repayment of debts due from the Target Group as set out in note 2.1.

The Target Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may issue new shares as well as the issue of new debt. No changes were made in the objectives, policies or processes during the Relevant Periods.

## III. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting period ended 30 June 2014, 84 sale and purchase agreements dated between 11 July 2014 and 21 August 2014 were entered into between Shenzhen Hong Wheelock as purchaser and 84 individual shareholders of Haikou Xinyuan as vendors for the acquisition of a total of 8,356,431 shares of Haikou Xinyuan with contract sums ranging from approximately RMB20,000 to RMB1,243,000.

Saved as disclosed above, no significant event has been noted for the Target Group in respect of any period subsequent to 30 June 2014.

## IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Group, the Target Company or any of its subsidiaries in respect of any period subsequent to 30 June 2014.

**BDO Limited**
*Certified Public Accountants*
**Au Yiu Kwan**
Practising Certificate Number: P05018

Hong Kong

*The following is the text of a report received from the Company's reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.*

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

23 December 2014

The Directors
Blue Sky Power Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of 海口鑫元天然氣技術股份有限公司 ("Haikou Xinyuan") and its subsidiaries (together, the "Haikou Xinyuan Group"), which comprises the consolidated statements of financial position of the Haikou Xinyuan Group and the statements of financial position of Haikou Xinyuan as at 31 December 2011, 2012, 2013 and 30 June 2014, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Haikou Xinyuan Group for each of the three years ended 31 December 2011, 2012, 2013 and for the six months ended 30 June 2014 (the "Relevant Periods") together with a summary of significant accounting policies and other explanatory information. The Financial Information has been prepared by the directors of Blue Sky Power Holdings Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix III to the circular of the Company dated 23 December 2014 (the "Circular") in connection with its acquisition of the entire equity interests in the Target Company and of the 48% equity interests in Haikou Xinyuan.

Haikou Xinyuan was established in the Peoples' Republic of China (the "PRC") as a company with limited liability on 22 July 2004. As at the date of this report, Haikou Xinyuan has direct interests in the subsidiaries as set out in note 15 of Section II below. Haikou Xinyuan and its subsidiaries are principally engaged in the construction and operation of natural gas refilling stations for vehicles in the PRC. The statutory financial statements of Haikou Xinyuan for the three years ended 31 December 2011, 2012 and 2013 were audited by 中審亞太會計師事務所有限公司 (Zhong Shen Yatai Certified Public Accountants), certified public accountants registered in the PRC. These statutory financial statements were prepared in accordance with the relevant accounting principles and accounting rules applicable to enterprises established in the PRC.

No audited statutory financial statements have been prepared by the PRC subsidiaries of Haikou Xinyuan for the three years ended 31 December 2011, 2012 and 2013 as they are not requested by the local government authority to perform statutory audit.

No audited statutory financial statements of Haikou Xinyuan and its subsidiaries for the six months ended 30 June 2014 have been prepared as there are no such statutory audit requirements under the relevant rules and regulation in the PRC.

**BASIS OF PREPARATION**

For the purpose of the Financial Information of this report, the directors of Haikou Xinyuan are responsible for the preparation of the consolidated financial statements of the Haikou Xinyuan Group for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRS") (the "Underlying Financial Statements"). We have, for the purpose of this report, carried out audit procedures on the Underlying Financial Statements for the Relevant Periods in accordance with International Standards on Auditing ("ISA").

**DIRECTORS' RESPONSIBILITY**

The directors of the Company are responsible for the preparation of the Financial Information that gives true and fair view in accordance with IFRSs, the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

**REPORTING ACCOUNTANT'S RESPONSIBILITY**

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We have carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**OPINION IN RESPECT OF THE FINANCIAL INFORMATION**

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Haikou Xinyuan and of the Haikou Xinyuan Group as at 31 December 2011, 2012, 2013 and 30 June 2014 and of the Haikou Xinyuan Group's results and cash flows for the Relevant Periods in accordance with IFRSs.

**COMPARATIVE FINANCIAL INFORMATION**

For the purpose of this report, we have also reviewed the unaudited financial information of Haikou Xinyuan Group including the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 30 June 2014, together with the notes thereto (the "Comparative Financial Information"), in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Comparative Financial Information in accordance with the same basis adopted in respect of the Financial Information.

Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review 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 ISAs 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 on the Comparative Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

## I. FINANCIAL INFORMATION OF THE HAIKOU XINYUAN GROUP

The following is the Financial Information of the Haikou Xinyuan Group as at 31 December 2011, 2012, 2013 and 30 June 2014 and for each of the Relevant Periods prepared by the directors of the Company.

### (A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|---|
| | | 2011 | 2012 | 2013 | 2013 | 2014 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | | (Unaudited) | |
| Revenue | *6* | 89,663 | 113,190 | 96,526 | 52,329 | 42,772 |
| Cost of sales | | (63,473) | (86,188) | (66,952) | (35,281) | (30,763) |
| Gross profit | | 26,190 | 27,002 | 29,574 | 17,048 | 12,009 |
| Other income | *6* | 270 | 1,174 | 1,289 | 287 | 1,267 |
| Selling and distribution costs | | (10,464) | (12,538) | (12,299) | (6,112) | (5,860) |
| Administrative expenses | | (3,359) | (3,518) | (4,169) | (1,496) | (1,582) |
| Other operating expenses | | (168) | (654) | (75) | (41) | (118) |
| Share of profits of associate | | 2,386 | 2,192 | 2,239 | 1,517 | 897 |
| Profit before income tax | *7* | 14,855 | 13,658 | 16,559 | 11,203 | 6,613 |
| Income tax expense | *8* | (2,821) | (2,826) | (2,939) | (2,052) | (1,308) |
| Profit for the year/period | | 12,034 | 10,832 | 13,620 | 9,151 | 5,305 |
| Other comprehensive income for the year/period | | – | – | – | – | – |
| Total comprehensive income for the year/period | | 12,034 | 10,832 | 13,620 | 9,151 | 5,305 |
| Profit for the year/period attributable to: | | | | | | |
| Owners of Haikou Xinyuan | | 10,633 | 10,188 | 11,196 | 7,387 | 4,883 |
| Non-controlling interests | | 1,401 | 644 | 2,424 | 1,764 | 422 |
| | | 12,034 | 10,832 | 13,620 | 9,151 | 5,305 |
| Total comprehensive income for the year/period attributable to: | | | | | | |
| Owners of Haikou Xinyuan | | 10,633 | 10,188 | 11,196 | 7,387 | 4,883 |
| Non-controlling interests | | 1,401 | 644 | 2,424 | 1,764 | 422 |
| | | 12,034 | 10,832 | 13,620 | 9,151 | 5,305 |

## (B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Notes | At 31 December 2011 RMB'000 | 2012 RMB'000 | 2013 RMB'000 | At 30 June 2014 RMB'000 |
|---|---|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *13* | 18,598 | 19,353 | 16,679 | 15,577 |
| Receivables under finance leases | *14* | 471 | 340 | 189 | 106 |
| Investments in associate | *16* | 24,813 | 25,835 | 27,034 | 26,826 |
| Available-for-sale financial assets | *17* | 300 | 300 | 300 | 300 |
| | | 44,182 | 45,828 | 44,202 | 42,809 |
| **Current assets** | | | | | |
| Trade and other receivables | *18* | 8,174 | 4,063 | 1,044 | 4,800 |
| Receivables under finance leases | *14* | 114 | 131 | 151 | 162 |
| Amounts due from shareholders | *21* | – | – | 118 | 100 |
| Tax recoverables | | 143 | – | 39 | – |
| Cash and cash equivalents | *19* | 13,891 | 25,796 | 29,682 | 27,903 |
| | | 22,322 | 29,990 | 31,034 | 32,965 |
| **Current liabilities** | | | | | |
| Trade and other payables | *20* | 5,906 | 5,802 | 2,621 | 1,227 |
| Amounts due to a shareholder | *21* | 1,412 | 5,211 | 1,826 | 4,753 |
| Amounts due to related parties | *21* | 854 | 584 | – | – |
| Income tax payables | | 507 | 518 | 96 | 548 |
| | | 8,679 | 12,115 | 4,543 | 6,528 |
| **Net current assets** | | 13,643 | 17,875 | 26,491 | 26,437 |
| **Net assets** | | 57,825 | 63,703 | 70,693 | 69,246 |
| **EQUITY** | | | | | |
| Equity attributable to owners of Haikou Xinyuan | | | | | |
| Paid-in capital | *22* | 30,000 | 30,000 | 30,000 | 30,000 |
| Reserves | *23* | 20,389 | 26,077 | 31,273 | 30,156 |
| | | 50,389 | 56,077 | 61,273 | 60,156 |
| Non-controlling interests | *24* | 7,436 | 7,626 | 9,420 | 9,090 |
| **Total equity** | | 57,825 | 63,703 | 70,693 | 69,246 |

## (C) STATEMENTS OF FINANCIAL POSITION

| | Notes | At 31 December 2011 RMB'000 | At 31 December 2012 RMB'000 | At 31 December 2013 RMB'000 | At 30 June 2014 RMB'000 |
|---|---|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | *13* | 3,327 | 2,500 | 2,054 | 1,912 |
| Receivables under finance leases | *14* | 471 | 340 | 189 | 106 |
| Investments in subsidiaries | *15* | 8,220 | 8,220 | 8,220 | 8,220 |
| Investments in associate | *16* | 19,908 | 19,908 | 19,908 | 19,908 |
| Available-for-sale financial assets | *17* | 300 | 300 | 300 | 300 |
| | | 32,226 | 31,268 | 30,671 | 30,446 |
| **Current assets** | | | | | |
| Trade and other receivables | *18* | 1,829 | 740 | 695 | 975 |
| Receivables under finance leases | *14* | 114 | 131 | 151 | 162 |
| Amounts due from subsidiaries | *15* | 4,494 | 3,828 | 1,000 | 1,000 |
| Amounts due from shareholders | *21* | – | – | 118 | 100 |
| Tax recoverables | | – | – | 39 | – |
| Cash and cash equivalents | *19* | 8,593 | 15,934 | 16,279 | 17,570 |
| | | 15,030 | 20,633 | 18,282 | 19,807 |
| **Current liabilities** | | | | | |
| Trade and other payables | *20* | 3,679 | 2,429 | 1,673 | 489 |
| Amounts due to a shareholder | *21* | 584 | 2,943 | – | 2,577 |
| Income tax payables | | 403 | 209 | – | 292 |
| | | 4,666 | 5,581 | 1,673 | 3,358 |
| **Net current assets** | | 10,364 | 15,052 | 16,609 | 16,449 |
| **Net assets** | | 42,590 | 46,320 | 47,280 | 46,895 |
| **EQUITY** | | | | | |
| Paid-in capital | *22* | 30,000 | 30,000 | 30,000 | 30,000 |
| Reserves | *23* | 12,590 | 16,320 | 17,280 | 16,895 |
| **Total equity** | | 42,590 | 46,320 | 47,280 | 46,895 |

## (D) CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| **Cash flows from operating activities** | | | | | |
| Profits before income tax | 14,855 | 13,658 | 16,559 | 11,203 | 6,613 |
| Adjustments for: | | | | | |
| Depreciation | 2,271 | 2,699 | 3,006 | 1,430 | 1,337 |
| Interest income | (252) | (343) | (533) | (286) | (239) |
| Dividend income | – | (150) | (100) | – | (82) |
| Impairment loss on trade receivables | – | 600 | – | – | – |
| Share of results of associate | (2,386) | (2,192) | (2,239) | (1,517) | (897) |
| Losses on disposals of property, plant and equipment | 194 | 320 | 72 | 49 | 112 |
| Operating profit before working capital changes | 14,682 | 14,592 | 16,765 | 10,879 | 6,844 |
| Decrease in receivables under finance leases | 2,118 | 114 | 131 | 62 | 72 |
| (Increase)/Decrease in trade and other receivables | (7,172) | 3,511 | 3,019 | 2,711 | (3,756) |
| Increase/(Decrease) in trade and other payables | 3,099 | (104) | (3,181) | (4,536) | (1,394) |
| Decrease in amounts due from related parties | 1 | – | – | – | – |
| (Decrease)/Increase in amounts due to related parties | (315) | (270) | (584) | 13 | – |
| (Increase)/Decrease in amounts due from shareholders | – | – | (118) | – | 18 |
| (Decrease)/Increase in amounts due to a shareholder | (4,335) | 3,799 | (3,385) | (584) | 2,927 |
| Cash generated from operations | 8,078 | 21,642 | 12,647 | 8,545 | 4,711 |
| Income tax paid | (3,097) | (2,672) | (3,400) | (1,637) | (817) |
| *Net cash generated from operating activities* | 4,981 | 18,970 | 9,247 | 6,908 | 3,894 |
| **Cash flows from investing activities** | | | | | |
| Purchases of property, plant and equipment | (5,486) | (3,774) | (404) | (399) | (347) |
| Dividend income received from associate | 780 | 1,170 | 1,040 | 1,040 | 1,105 |
| Dividend income received from available-for-sale financial assets | – | 150 | 100 | – | 82 |
| Interest received | 252 | 343 | 533 | 286 | 239 |
| *Net cash (used in)/generated from investing activities* | (4,454) | (2,111) | 1,269 | 927 | 1,079 |
| **Cash flows from financing activities** | | | | | |
| Dividend paid | (3,000) | (4,500) | (6,000) | (6,000) | (6,000) |
| Dividend paid to non-controlling interests | (781) | (454) | (630) | (630) | (752) |
| *Net cash used in financing activities* | (3,781) | (4,954) | (6,630) | (6,630) | (6,752) |
| **Net (decrease)/ increase in cash and cash equivalents** | (3,254) | 11,905 | 3,886 | 1,205 | (1,779) |
| **Cash and cash equivalents at beginning of year/period** | 17,145 | 13,891 | 25,796 | 25,796 | 29,682 |
| **Cash and cash equivalents at end of year/period** | 13,891 | 25,796 | 29,682 | 27,001 | 27,903 |

## (E) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Equity attributable to owners of Haikou Xinyuan | | | | | |
|---|---|---|---|---|---|---|
| | **Paid-in capital** *RMB'000* | **Statutory reserves** *RMB'000* | **Retained earnings** *RMB'000* | **Total** *RMB'000* | **Non-controlling interests** *RMB'000* | **Total** *RMB'000* |
| **At 1 January 2011** | 30,000 | 1,731 | 11,025 | 42,756 | 6,906 | 49,662 |
| Profit and other comprehensive income for the year | – | – | 10,633 | 10,633 | 1,401 | 12,034 |
| Appropriations to statutory reserves | – | 1,031 | (1,031) | – | – | – |
| Deregistration of a subsidiary | – | – | – | – | (90) | (90) |
| Dividends paid *(note 12)* | – | – | (3,000) | (3,000) | (781) | (3,781) |
| **At 31 December 2011 and 1 January 2012** | 30,000 | 2,762 | 17,627 | 50,389 | 7,436 | 57,825 |
| Profit and other comprehensive income for the year | – | – | 10,188 | 10,188 | 644 | 10,832 |
| Appropriations to statutory reserves | – | 995 | (995) | – | – | – |
| Dividends paid *(note 12)* | – | – | (4,500) | (4,500) | (454) | (4,954) |
| **At 31 December 2012 and 1 January 2013** | 30,000 | 3,757 | 22,320 | 56,077 | 7,626 | 63,703 |
| Profit and other comprehensive income for the year | – | – | 11,196 | 11,196 | 2,424 | 13,620 |
| Appropriations to statutory reserves | – | 1,072 | (1,072) | – | – | – |
| Dividends paid *(note 12)* | – | – | (6,000) | (6,000) | (630) | (6,630) |
| **At 31 December 2013 and 1 January 2014** | 30,000 | 4,829 | 26,444 | 61,273 | 9,420 | 70,693 |
| Profit and other comprehensive income for the period | – | – | 4,883 | 4,883 | 422 | 5,305 |
| Appropriations to statutory reserves | – | 688 | (688) | – | – | – |
| Dividends paid *(note 12)* | – | – | (6,000) | (6,000) | (752) | (6,752) |
| **At 30 June 2014** | 30,000 | 5,517 | 24,639 | 60,156 | 9,090 | 69,246 |

## II. NOTES TO THE FINANCIAL INFORMATION AND COMPARATIVE FINANCIAL INFORMATION

### 1. General information

Haikou Xinyuan was incorporated in the PRC with limited liability on 22 July 2004. Its registered office and principal place of business are located at 5/F, Tongxin Square West Wing, Nan Sha Lu, Longhua Qu, Haikou Shi, Hainan Province, the PRC.

The principal activities of Haikou Xinyuan and its subsidiaries are the construction and operations of natural gas refilling stations in Hainan Province, the PRC. Haikou Xinyuan and its subsidiaries are collectively referred to as the "Haikou Xinyuan Group" hereafter.

The Financial Information is presented in Renminbi ("RMB") which is also the functional currency of Haikou Xinyuan and all values are rounded to the nearest thousands ("RMB'000") except when otherwise indicated.

### 2. Summary of significant accounting policies

#### *2.1 Basis of preparation*

The Financial Information and the Comparative Financial Information have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB"), and all applicable individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB.

In preparing and presenting the Financial Information and the Comparative Financial Information, the Haikou Xinyuan Group has consistently applied IFRSs which are effective for the accounting periods commencing on or after 1 January 2014. The significant accounting policies that have been used in the preparation of the Financial Information and the Comparative Financial Information are summarised below. These policies have been consistently applied to the years/periods presented unless otherwise stated.

The Financial Information and the Comparative Financial Information have been prepared under historical cost convention. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information and the Comparative Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information and the Comparative Financial Information, are disclosed in note 4.

***2.2 Basis of consolidation***

The Financial Information and the Comparative Financial Information comprise the financial statements of Haikou Xinyuan and its subsidiaries *(see note 2.3)*.

Subsidiaries are consolidated from the date on which control is transferred to the Haikou Xinyuan Group. They are excluded from consolidation from the date that control ceases.

Inter-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the Financial Information and the Comparative Financial Information. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the perspective of the Haikou Xinyuan Group. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Haikou Xinyuan Group.

Changes in the Haikou Xinyuan Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Haikou Xinyuan Group's interest and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of Haikou Xinyuan.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

### *2.3 Subsidiaries*

A subsidiary is an investee over which the Haikou Xinyuan Group is able to exercise control. The Haikou Xinyuan Group controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where Haikou Xinyuan has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, Haikou Xinyuan considers all the relevant facts and circumstances, including:

- The size of Haikou Xinyuan's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by Haikou Xinyuan and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic pattern in voting attendances.

In the statements of financial position of Haikou Xinyuan, investments in subsidiaries are carried at cost less any impairment loss, if any. The results of the subsidiaries are accounted for by Haikou Xinyuan on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in profit or loss of Haikou Xinyuan.

### *2.4 Associates*

An associate is an entity over which the Haikou Xinyuan Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Haikou Xinyuan Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Haikou Xinyuan Group's interest in associate are not recognised unless there is an obligation to make good those losses.

Profit and loss arising on transactions between the Haikou Xinyuan Group and its associate are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profit and loss resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Haikou Xinyuan Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the statements of financial position, investments in associate are carried at cost less impairment losses, if any.

***2.5 Foreign currency translation***

Foreign currency transactions are translated into the functional currency of the individual entities using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

***2.6 Property, plant and equipment***

Property, plant and equipment, other than construction-in-progress ("CIP"), are carried at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Depreciation is provided to write off the cost less their estimated residual value over their estimated useful lives, using straight-line method, at the following rates per annum:

| | |
|---|---|
| Buildings | 10% |
| Plant and machinery | 10% |
| Furniture, fixtures and equipment | 20% |
| Motor vehicles | 10% |

The asset's estimated residual value, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Haikou Xinyuan Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss of the financial period in which they are incurred.

CIP represents property, plant and equipment under construction for production or supply of goods or for administrative purposes. These are carried at cost less any impairment losses and are not depreciated. Cost comprises direct costs, such as cost of materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use incurred during the periods of construction. CIP is reclassified as appropriate classes of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for their intended use.

***2.7 Impairment of non-financial assets***

Property, plant and equipment, investments in associate and Haikou Xinyuan's investments in subsidiaries are subject to impairment testing and are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU"). As a result, some assets are tested individually for impairment and some are tested at CGU level. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset for which the future cash flow estimates have not been adjusted.

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGUs is charged pro-rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value-in-use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount of the asset or the CGU and only to the extent that the carrying amount of the asset or the CGU does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversal of impairment losses is credited to profit or loss of the financial period in which the reversals occurs.

***2.8 Financial assets***

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Haikou Xinyuan Group becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognised on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost. De-recognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. The Haikou Xinyuan Group's financial assets mainly comprise loans and receivables and available-for-sale financial assets.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These are recognised initially at fair value, plus directly attributable transaction cost and subsequently measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of effective interest rate and transaction cost.

De-recognition of financial assets occurs when, and only when the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

*Available-for-sale financial assets*

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend or interest income is recognised in other comprehensive income and accumulated separately in the security investment reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using effective interest method is recognised in profit or loss.

Fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sales investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

*Impairment of financial assets*

At each reporting date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Haikou Xinyuan Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- granting concession to a debtor because of the debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

*Loans and receivables*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the financial period in which the impairment occurs. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Haikou Xinyuan Group.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the financial period in which the reversal occurs.

*Available-for-sale financial assets measured at cost*

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets. Such impairment loss is not reversed.

***2.9 Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand, demand deposits with banks and other financial institutions and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

***2.10 Financial liabilities***

The Haikou Xinyuan Group's financial liabilities included trade and other payables, amounts due to shareholders and amounts due to related parties.

Financial liabilities are recognised when, and only when the Haikou Xinyuan Group becomes a party to the contractual provisions of the instrument. A financial liability is de-recognised when, and only when the obligation under the financial liability is discharged or cancelled or expires.

*Trade and other payables/Amounts due to shareholders/Amounts due to related parties*

These are initially recognised at their fair value and subsequently measured at amortised cost, using effective interest method.

***2.11 Leases***

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Haikou Xinyuan Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

*Finance leases as lessor*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. Amounts due from lessees under finance leases are recorded as receivables at the amount of the Haikou Xinyuan Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Haikou Xinyuan Group's net investment outstanding in respect of the leases.

*Operating lease charges as the lessee*

Leases which do not transfer substantially all the risks and rewards of ownership to the Haikou Xinyuan Group are classified as operating leases. Where the Haikou Xinyuan Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

***2.12 Provision and contingent liabilities***

Provisions are recognised when the Haikou Xinyuan Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligations.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the possibility of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Haikou Xinyuan Group, are also disclosed as contingent liabilities unless the possibility of outflow of economic benefits is remote.

***2.13 Paid-in capital***

Paid-in capital is classified as equity. Any transaction costs directly attributable to paid-in capital are shown in equity as a deduction, net of tax, from the proceeds.

***2.14 Revenue recognition***

Revenue comprises the fair value of the consideration received and receivable for the sale of goods, rendering of services in the ordinary course of the Haikou Xinyuan Group's activities. Revenue is shown net of value-added tax and discount and after eliminating sales with the Haikou Xinyuan Group.

(i) Sales of natural gases are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when natural gas is delivered to customers and title has passed, and is based on natural gas consumption derived from meter readings.

(ii) Interest income is recognised on time-proportion basis using effective interest method.

(iii) Dividend income is recognised when the right to receive the dividend is established.

***2.15 Government grants***

Government grants are recognised when there is reasonable assurance that they will be received and that the Haikou Xinyuan Group will comply with the conditions attaching to them. Grants that compensate the Haikou Xinyuan Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Haikou Xinyuan Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

***2.16 Employee benefits***

*Retirement benefits*

The Haikou Xinyuan Group participates in a defined contribution retirement scheme for its employees in the PRC, as organised by the relevant local government authorities. Assets of the scheme are held separately from those of the Haikou Xinyuan Group in an independently administered fund. The retirement benefit scheme is generally funded by payments from employees and by the relevant group companies. They are required to make contributions to the retirement benefit schemes at a specified percentage of the employees' relevant income and there are no other further obligations to the Haikou Xinyuan Group. Retirement benefit scheme costs charged to profit or loss represents contributions payable by the Haikou Xinyuan Group to the scheme.

*Short-term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

***2.17 Accounting for income taxes***

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, taxation authorities relating to the current or prior reporting period, that are unpaid at the reporting date. These are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period.

Deferred tax is calculated using liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if temporary differences arise from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Haikou Xinyuan Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply to the period when the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Current tax and changes in deferred tax assets or liabilities are recognised as a component of income tax expense in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are booked to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if: (a) the Haikou Xinyuan Group has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Haikou Xinyuan Group presents deferred tax assets and deferred tax liabilities in net if, and only if: (a) the Haikou Xinyuan Group has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

***2.18 Segment reporting***

The Haikou Xinyuan Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the directors for their decisions about resource allocation to the Haikou Xinyuan Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the directors are determined following the Haikou Xinyuan Group's major business lines.

***2.19 Related parties***

(i) A person or a close member of that person's family is related to the Haikou Xinyuan Group if that person:

(a) has control or joint control over the Haikou Xinyuan Group;

(b) has significant influence over the Haikou Xinyuan Group; or

(c) is a member of the key management personnel of the Group or of the Haikou Xinyuan Group's parent.

(ii) An entity is related to the Haikou Xinyuan Group if:

(a) the entity and the Haikou Xinyuan Group are members of the same group.

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) both entities are joint venture of the same third party.

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Haikou Xinyuan Group or an entity related to the Haikou Xinyuan Group.

(f) the entity is controlled or jointly controlled by a person identified in (i).

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expect to influence, or be influenced by, that person in their dealings with the entity and include (i) that person's children and spouse or domestic partner; (ii) children of that person's spouse or domestic partner; and (iii) dependants of that person or that person's spouse or domestic partner.

**3. Adoption of new or amended IFRSs**

Information on new or amended IFRSs that have not been adopted early by the Haikou Xinyuan Group but expected to have impact on the Haikou Xinyuan Group's accounting policies is provided below. The directors of Haikou Xinyuan anticipate that all of the pronouncements will be adopted in the accounting policies of the Haikou Xinyuan Group for the first period beginning after the effective date of the pronouncement.

***IFRS 9, Financial Instruments***

This standard is effective for accounting periods beginning on or after 1 January 2018. Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the entity is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

IFRS 9 introduced a new "expected loss" impairment model and replaces the "incurred loss" model in IAS 39 Financial Instruments: Recognition and Measurement. The impairment model is a more "forward looking" model in that a credit event (or impairment "trigger") no longer has to occur before credit losses are recognised. For financial assets at amortised cost or fair value through other comprehensive income, an entity will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition. IFRS 9 also introduced a new hedge accounting model which allows entities to apply hedge accounting more broadly to manage profit or loss mismatches, and as a result reduce "artificial" hedge ineffectiveness that can arise under IAS 39.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for de-recognition of financial assets and financial liabilities.

***IFRS 15 - Revenue from Contract with Customers***

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will replace IAS 18 Revenue and IAS 11 Construction Contracts, as well as a number of Interpretations related to revenue recognition, such as IFRIC 13 on customer loyalty programmes and IFRIC 15 on real estate transactions. The principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information.

Save as the main changes described above, the Haikou Xinyuan Group is in the process of making an assessment of the potential impact of these new or amended IFRSs and the directors are not yet in a position to quantity the effects on the Haikou Xinyuan Group's Financial Information.

**4. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Haikou Xinyuan Group makes judgements, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

***(i) Estimated useful lives of property, plant and equipment***

The Haikou Xinyuan Group's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and estimated residual values and therefore depreciation expense in the future periods.

***(ii) Impairment of receivables***

The Haikou Xinyuan Group's management reviews receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on the credit history of its customers, past settlement and industry practice and current market conditions. Management reassesses the impairment of receivables at each reporting date.

***(iii) Impairment of non-financial assets***

The Haikou Xinyuan Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Haikou Xinyuan Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the CGU to which the asset is allocated. Estimating the value-in-use requires the Haikou Xinyuan Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

***(iv) De-facto control***

Haikou Xinyuan holds 50% of voting rights in Xinyuan Xinhe, with remaining 50% of voting rights being held by a wide number of unrelated corporate and individual shareholders. The majority of the board of directors of Xinyuan Xinhe are representatives of Haikou Xinyuan. In view of the foregoing, the directors have determined that Haikou Xinyuan has the practical ability to unilaterally direct the relevant activities of Xinyuan Xinhe and accordingly Haikou Xinyuan has consolidated Xinyuan Xinhe as a subsidiary with a 50% non-controlling interest.

## 5. Segment information

The Haikou Xinyuan Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Haikou Xinyuan Group's executive directors for their decisions about resources allocation to the Haikou Xinyuan Group's business components and review of these components' performance. There is only one business component in the internal reporting to the executive directors, which is the construction and operation of natural gas refilling stations for vehicles. The Haikou Xinyuan Group's assets and capital expenditure are principally attributable to this business component.

The Haikou Xinyuan Group is domiciled in the PRC which is the location of the Haikou Xinyuan Group's principal place of operations. All of the Haikou Xinyuan Group's non-current assets are located in the PRC during the Relevant Periods.

## 6. Revenue and other income

The revenue of the Haikou Xinyuan Group, which is also the Haikou Xinyuan Group's turnover, and other income for the Relevant Periods are analysed as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2013** | **2014** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | (Unaudited) | |
| Revenue | | | | | |
| Sales of natural gas | 89,663 | 113,190 | 96,526 | 52,329 | 42,772 |
| Other income | | | | | |
| – Bank interest income | 154 | 150 | 318 | 129 | 199 |
| – Interest income earned from finance leases | 91 | 76 | 59 | 32 | 22 |
| – Interest income earned from loan receivables | 7 | 117 | 156 | 125 | 18 |
| – Government grants *(note)* | – | 681 | 469 | – | 846 |
| – Dividend income | – | 150 | 100 | – | 82 |
| – Sundry income | 18 | – | 187 | 1 | 100 |
| | 270 | 1,174 | 1,289 | 287 | 1,267 |

*Note:*

Government grants represent various forms of incentives and subsidies given to the Haikou Xinyuan Group by the PRC government and, upon fulfilling the granting criteria, were immediately recognised as other income during the relevant year/period.

## 7. Profit before income tax

Profit before income tax is arrived at after charging:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | (Unaudited) | |
| Auditor's remuneration | 30 | 30 | 30 | – | – |
| Costs of inventories sold | 63,473 | 86,188 | 66,952 | 35,281 | 30,763 |
| Depreciation of property, plant and equipment | 2,271 | 2,699 | 3,006 | 1,430 | 1,337 |
| Losses on disposals of property, plant and equipment | 194 | 320 | 72 | 49 | 112 |
| Operating lease charges in respect of lands and office premise** | 730 | 1,191 | 1,127 | 565 | 578 |
| Impairment loss on trade receivable | – | 600 | – | – | – |
| Employee benefit expenses, excluding directors' remuneration *(note 11.1)*: | | | | | |
| – Salaries, discretionary bonuses and allowances | 4,534 | 5,563 | 5,175 | 2,546 | 2,844 |
| – Pension scheme contributions | 646 | 877 | 1,089 | 482 | 604 |

** *Included in the operating lease charges in respect of lands and office premise recognised during the three years ended 31 December 2011, 2012, 2013 and for the six months ended 30 June 2013 and 2014 were contingent rents in respect of certain land leases amounting to approximately RMB379,000 , RMB411,000 , RMB368,000 and RMB196,000 and RMB167,000 respectively.*

## 8. Income tax expense

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | (Unaudited) | |
| PRC income tax – current | 2,821 | 2,826 | 2,939 | 2,052 | 1,308 |

The PRC income tax for the Relevant Periods was calculated at 25% of the estimated assessable profits arising from the PRC.

A reconciliation of income tax expense and accounting profits at applicable tax rate for each of the Relevant Periods is as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2013** | **2014** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | (Unaudited) | |
| Profit before income tax | 14,855 | 13,658 | 16,559 | 11,203 | 6,613 |
| Tax on profit before taxation, calculated at tax rate applicable | 3,714 | 3,415 | 4,140 | 2,801 | 1,653 |
| Tax effect of non-deductible expenses | 59 | 35 | 24 | – | (39) |
| Tax effect of non-taxable income | – | (208) | (142) | – | (192) |
| Tax effect of share of results of associate | (597) | (548) | (560) | (379) | (224) |
| Tax effect of temporary differences not recognised | (394) | 140 | (616) | (456) | (11) |
| Tax effect of tax losses unrecognised/(utilised) | 161 | (165) | 83 | 86 | 131 |
| Others | (122) | 157 | 10 | – | (10) |
| Income tax expense | 2,821 | 2,826 | 2,939 | 2,052 | 1,308 |

No deferred tax has been provided in the financial statements as there are no material temporary differences during the Relevant Periods.

**9. Profit attributable to owners of Haikou Xinyuan**

The consolidated profit attributable to owners of Haikou Xinyuan for the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2013 and 2014 includes the profits of approximately RMB8,607,000 , RMB8,230,000 and RMB6,960,000 , RMB5,121,000 (unaudited) and RMB5,615,000 , respectively, which have been dealt with in the financial statements of Haikou Xinyuan.

## 10. Earnings per share attributable to equity holders of Haikou Xinyuan

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

## 11. Directors' and supervisors' remuneration and senior management's emoluments

### *11.1 Directors' and supervisors emoluments*

| | Directors' fee | Salaries, allowances and benefits in kind | Discretionary bonuses | Contributions to defined contribution scheme | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Year ended 31 December 2011** | | | | | |
| ***Executive directors*** | | | | | |
| Mr. Liu Haomin | – | 107 | – | – | 107 |
| Mr. Xia Yu | – | 107 | – | – | 107 |
| Mr. Xie Bing | – | 24 | – | – | 24 |
| Mr. Wang Mingzhong | – | 102 | – | 13 | 115 |
| | – | 340 | – | 13 | 353 |
| ***Supervisors*** | | | | | |
| Mr. Feng Huaxi | 24 | – | – | – | 24 |
| Mr. Pei Yuanyuan | 24 | – | – | – | 24 |
| | 48 | – | – | – | 48 |
| | 48 | 340 | – | 13 | 401 |
| **Year ended 31 December 2012** | | | | | |
| ***Executive directors*** | | | | | |
| Mr. Liu Haomin | – | 121 | – | – | 121 |
| Mr. Xia Yu | – | 114 | – | – | 114 |
| Mr. Xie Bing | – | 24 | – | – | 24 |
| Mr. Wang Mingzhong | – | 100 | – | – | 100 |
| | – | 359 | – | – | 359 |
| ***Supervisors*** | | | | | |
| Mr. Feng Huaxi | 24 | – | – | – | 24 |
| Mr. Pei Yuanyuan | 24 | – | – | – | 24 |
| | 48 | – | – | – | 48 |
| | 48 | 359 | – | – | 407 |

| | Directors' fee | Salaries, allowances and benefits in kind | Discretionary bonuses | Contributions to defined contribution scheme | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Year ended 31 December 2013** | | | | | |
| ***Executive directors*** | | | | | |
| Mr. Liu Haomin | – | 112 | 45 | – | 157 |
| Mr. Xia Yu | – | 112 | 220 | – | 332 |
| Mr. Xie Bing | – | 24 | 28 | – | 52 |
| Mr. Chen Ping * | – | 14 | 11 | – | 25 |
| Mr. Wang Mingzhong | – | 109 | 175 | – | 284 |
| | – | 371 | 479 | – | 850 |
| ***Supervisors*** | | | | | |
| Mr. Feng Huaxi | 24 | – | 11 | – | 35 |
| Mr. Pei Yuanyuan | 24 | – | 11 | – | 35 |
| Mr. Wang Donghai # | 18 | – | 11 | – | 29 |
| | 66 | – | 33 | – | 99 |
| | 66 | 371 | 512 | – | 949 |

| | Directors' fee | Salaries, allowances and benefits in kind | Discretionary bonuses | Contributions to defined contribution scheme | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Six months ended 30 June 2013** | | | | | |
| ***Executive directors*** | | | | | |
| Mr. Liu Haomin | – | 56 | – | – | 56 |
| Mr. Xia Yu | – | 56 | – | – | 56 |
| Mr. Xie Bing | – | 12 | – | – | 12 |
| Mr. Chen Ping * | – | 2 | – | – | 2 |
| Mr. Wang Mingzhong | – | 56 | – | – | 56 |
| | – | 182 | – | – | 182 |
| ***Supervisors*** | | | | | |
| Mr. Feng Huaxi | 12 | – | – | – | 12 |
| Mr. Pei Yuanyuan | 12 | – | – | – | 12 |
| Mr. Wang Donghai # | 6 | – | – | – | 6 |
| | 30 | – | – | – | 30 |
| | 30 | 182 | – | – | 212 |

| | Directors' fee | Salaries, allowances and benefits in kind | Discretionary bonuses | Contributions to defined contribution scheme | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Six months ended 30 June 2014** | | | | | |
| ***Executive directors*** | | | | | |
| Mr. Liu Haomin | – | 56 | – | – | 56 |
| Mr. Xia Yu | – | 56 | – | – | 56 |
| Mr. Xie Bing | – | 12 | – | – | 12 |
| Mr. Chen Ping * | – | 12 | – | – | 12 |
| Mr. Wang Mingzhong | – | 54 | – | – | 54 |
| | – | 190 | – | – | 190 |
| ***Supervisors*** | | | | | |
| Mr. Feng Huaxi | 12 | – | – | – | 12 |
| Mr. Pei Yuanyuan | 12 | – | – | – | 12 |
| Mr. Wang Donghai # | 12 | – | – | – | 12 |
| | 36 | – | – | – | 36 |
| | 36 | 190 | – | – | 226 |

* *appointed as executive director with effect from 7 June 2013*

\# *appointed as executive director with effect from 19 March 2013*

### *11.2 Five highest paid individuals*

The five individuals whose emoluments were the highest in the Haikou Xinyuan Group for the Relevant Periods included three directors, whose emoluments were reflected in the analysis presented in note 11.1 above. Emoluments payable to the remaining two individuals during the Relevant Periods are as follows:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| Salaries, discretionary bonuses and allowances | 211 | 296 | 465 | 126 | 144 |
| Pension scheme contribution | 35 | 43 | 51 | 23 | 28 |
| | 246 | 339 | 516 | 149 | 172 |

The emoluments paid to the above non-director individuals during the Relevant Periods fell within the following band:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | (Unaudited) | |
| Nil to RMB1,000,000 | 2 | 2 | 2 | 2 | 2 |

During the Relevant Periods, no emoluments were paid by the Haikou Xinyuan Group to the directors and supervisors of the Haikou Xinyuan Group or employees for services rendered or as an inducement to join or upon joining or as a compensation for loss of office. There was no arrangement under which the directors and supervisors of the Haikou Xinyuan Group waived or agreed to waive any remuneration during the Relevant Periods.

***11.3 Senior management emolument band***

The remuneration paid to the senior management (other than the directors and supervisors as disclosed in note 11.1 above) for the Relevant Periods fell within the following band:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | (Unaudited) | |
| Nil to RMB1,000,000 | 1 | 1 | 1 | 1 | 1 |

**12. Dividends**

***Haikou Xinyuan***

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | (Unaudited) | |
| Dividends recognised as distribution | 3,000 | 4,500 | 6,000 | 6,000 | 6,000 |

During the three years ended 31 December 2011, 2012 and 2013, Haikou Xinyuan distributed out of its retained profits a total of RMB3,000,000 , RMB4,500,000 , RMB6,000,000 respectively and, for the six months ended 30 June 2013 and 2014 a total of RMB6,000,000 and RMB6,000,000 respectively, to its equity interest holders based on the equity interest percentage.

## 13. Property, plant and equipment

| *The Haikou Xinyuan Group* | Buildings<br>*RMB'000* | CIP<br>*RMB'000* | Plant and machinery<br>*RMB'000* | Furniture, fixtures and equipment<br>*RMB'000* | Motor vehicles<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|---|---|
| **At 1 January 2011** | | | | | | |
| Cost | 2,283 | 503 | 13,745 | 50 | 4,555 | 21,136 |
| Accumulated depreciation | (375) | – | (4,293) | (23) | (868) | (5,559) |
| Net carrying amount | 1,908 | 503 | 9,452 | 27 | 3,687 | 15,577 |
| **Year ended 31 December 2011** | | | | | | |
| Opening net carrying amounts | 1,908 | 503 | 9,452 | 27 | 3,687 | 15,577 |
| Re-classifications | – | (332) | 332 | – | – | – |
| Additions | 840 | 947 | 1,344 | 28 | 2,327 | 5,486 |
| Disposals | – | (171) | – | – | (23) | (194) |
| Depreciation | (236) | – | (1,490) | (10) | (535) | (2,271) |
| Closing net carrying amounts | 2,512 | 947 | 9,638 | 45 | 5,456 | 18,598 |
| **At 31 December 2011 and 1 January 2012** | | | | | | |
| Cost | 3,123 | 947 | 15,421 | 78 | 6,842 | 26,411 |
| Accumulated depreciation | (611) | – | (5,783) | (33) | (1,386) | (7,813) |
| Net carrying amounts | 2,512 | 947 | 9,638 | 45 | 5,456 | 18,598 |
| **Year ended 31 December 2012** | | | | | | |
| Opening net carrying amounts | 2,512 | 947 | 9,638 | 45 | 5,456 | 18,598 |
| Re-classifications | 2,095 | (2,095) | – | – | – | – |
| Additions | 51 | 1,223 | 2,492 | 8 | – | 3,774 |
| Disposals | – | – | (320) | – | – | (320) |
| Depreciation | (433) | – | (1,588) | (13) | (665) | (2,699) |
| Closing net carrying amounts | 4,225 | 75 | 10,222 | 40 | 4,791 | 19,353 |
| **At 31 December 2012 and 1 January 2013** | | | | | | |
| Cost | 5,269 | 75 | 17,582 | 86 | 6,842 | 29,854 |
| Accumulated depreciation | (1,044) | – | (7,360) | (46) | (2,051) | (10,501) |
| Net carrying amounts | 4,225 | 75 | 10,222 | 40 | 4,791 | 19,353 |

| *The Haikou Xinyuan Group* | **Buildings** *RMB'000* | **CIP** *RMB'000* | **Plant and machinery** *RMB'000* | **Furniture, fixtures and equipment** *RMB'000* | **Motor vehicles** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2013** | | | | | | |
| Opening net carrying amounts | 4,225 | 75 | 10,222 | 40 | 4,791 | 19,353 |
| Re-classifications | 322 | (322) | – | – | – | – |
| Additions | – | 247 | 13 | 18 | 126 | 404 |
| Disposals | (10) | – | (13) | – | (49) | (72) |
| Depreciation | (553) | – | (1,764) | (15) | (674) | (3,006) |
| Closing net carrying amounts | 3,984 | – | 8,458 | 43 | 4,194 | 16,679 |
| **At 31 December 2013 and 1 January 2014** | | | | | | |
| Cost | 5,548 | – | 17,533 | 104 | 6,813 | 29,998 |
| Accumulated depreciation | (1,564) | – | (9,075) | (61) | (2,619) | (13,319) |
| Net carrying amounts | 3,984 | – | 8,458 | 43 | 4,194 | 16,679 |
| **Six months ended 30 June 2014** | | | | | | |
| Opening net carrying amounts | 3,984 | – | 8,458 | 43 | 4,194 | 16,679 |
| Additions | – | – | – | 3 | 344 | 347 |
| Disposals | – | – | – | – | (112) | (112) |
| Depreciation | (246) | – | (779) | (8) | (304) | (1,337) |
| Closing net carrying amounts | 3,738 | – | 7,679 | 38 | 4,122 | 15,577 |
| **At 30 June 2014** | | | | | | |
| Cost | 5,548 | – | 17,533 | 107 | 6,976 | 30,164 |
| Accumulated depreciation | (1,810) | – | (9,854) | (69) | (2,854) | (14,587) |
| Net carrying amounts | 3,738 | – | 7,679 | 38 | 4,122 | 15,577 |

| *Haikou Xinyuan* | Buildings<br>*RMB'000* | CIP<br>*RMB'000* | Plant and machinery<br>*RMB'000* | Furniture, fixtures and equipment<br>*RMB'000* | Motor vehicles<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|---|---|
| **At 1 January 2011** | | | | | | |
| Cost | 477 | 503 | 6,025 | 22 | 857 | 7,884 |
| Accumulated depreciation | (227) | – | (3,248) | (17) | (259) | (3,751) |
| Net carrying amounts | 250 | 503 | 2,777 | 5 | 598 | 4,133 |
| **Year ended 31 December 2011** | | | | | | |
| Opening net carrying amounts | 250 | 503 | 2,777 | 5 | 598 | 4,133 |
| Re-classifications | – | (332) | 332 | – | – | – |
| Additions | – | – | 268 | 12 | 7 | 287 |
| Disposals | – | (171) | – | – | (23) | (194) |
| Depreciation | (46) | – | (771) | (3) | (79) | (899) |
| Closing net carrying amounts | 204 | – | 2,606 | 14 | 503 | 3,327 |
| **At 31 December 2011 and 1 January 2012** | | | | | | |
| Cost | 477 | – | 6,625 | 34 | 823 | 7,959 |
| Accumulated depreciation | (273) | – | (4,019) | (20) | (320) | (4,632) |
| Net carrying amounts | 204 | – | 2,606 | 14 | 503 | 3,327 |
| **Year ended 31 December 2012** | | | | | | |
| Opening net carrying amounts | 204 | – | 2,606 | 14 | 503 | 3,327 |
| Additions | – | 75 | 167 | – | – | 242 |
| Disposals | – | – | (321) | – | – | (321) |
| Depreciation | (46) | – | (618) | (4) | (80) | (748) |
| Closing net carrying amounts | 158 | 75 | 1,834 | 10 | 423 | 2,500 |
| **At 31 December 2012 and 1 January 2013** | | | | | | |
| Cost | 477 | 75 | 6,461 | 34 | 823 | 7,870 |
| Accumulated depreciation | (319) | – | (4,627) | (24) | (400) | (5,370) |
| Net carrying amounts | 158 | 75 | 1,834 | 10 | 423 | 2,500 |

| *Haikou Xinyuan* | Buildings<br>*RMB'000* | CIP<br>*RMB'000* | Plant and machinery<br>*RMB'000* | Furniture, fixtures and equipment<br>*RMB'000* | Motor vehicles<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2013** | | | | | | |
| Opening net carrying amounts | 158 | 75 | 1,834 | 10 | 423 | 2,500 |
| Re-classifications | 322 | (322) | – | – | – | – |
| Additions | – | 247 | 14 | 8 | 125 | 394 |
| Disposals | (10) | – | (14) | – | (48) | (72) |
| Depreciation | (68) | – | (622) | (4) | (74) | (768) |
| Closing net carrying amounts | 402 | – | 1,212 | 14 | 426 | 2,054 |
| **At 31 December 2013 and 1 January 2014** | | | | | | |
| Cost | 756 | – | 6,412 | 42 | 794 | 8,004 |
| Accumulated depreciation | (354) | – | (5,200) | (28) | (368) | (5,950) |
| Net carrying amounts | 402 | – | 1,212 | 14 | 426 | 2,054 |
| **Six months ended 30 June 2014** | | | | | | |
| Opening net carrying amounts | 402 | – | 1,212 | 14 | 426 | 2,054 |
| Additions | – | – | – | 3 | 343 | 346 |
| Disposals | – | – | – | – | (112) | (112) |
| Depreciation | (36) | – | (308) | (2) | (30) | (376) |
| Closing net carrying amounts | 366 | – | 904 | 15 | 627 | 1,912 |
| **At 30 June 2014** | | | | | | |
| Cost | 756 | – | 6,412 | 45 | 957 | 8,170 |
| Accumulated depreciation | (390) | – | (5,508) | (30) | (330) | (6,258) |
| Net carrying amounts | 366 | – | 904 | 15 | 627 | 1,912 |

Buildings represent the infrastructures of gas refilling stations built on the lands owned by independent third parties.

**14. Receivables under finance lease**

Haikou Xinyuan leased a motor vehicle to a shareholder and the lease is classified as finance lease with remaining lease terms of 49 months, 37 months, 25 months and 19 months as at 31 December 2011, 2012, 2013 and 30 June 2014 respectively. Receivables under finance lease are secured by the underlying asset as the rights to the leased asset would be reverted to Haikou Xinyuan in event of default by repayments by this shareholder. Average effective interest rate in relation to the finance lease is 14% per annum during the Relevant Periods. At each of the reporting date, the total future minimum lease receipts under finance lease and their present value were as follows:

***The Haikou Xinyuan Group and Haikou Xinyuan***

| | **Total future minimum lease receivables** *RMB'000* | **Unearned finance income** *RMB'000* | **Present value of minimum lease receivables** *RMB'000* |
|---|---|---|---|
| **At 31 December 2011** | | | |
| Within one year | 190 | (76) | 114 |
| More than one year but within five years | 585 | (114) | 471 |
| Subtotal | 775 | (190) | 585 |
| Non-current | | | 471 |
| Current | | | 114 |
| | | | 585 |
| **At 31 December 2012** | | | |
| Within one year | 190 | (59) | 131 |
| More than one year but within five years | 395 | (55) | 340 |
| Subtotal | 585 | (114) | 471 |
| Non-current | | | 340 |
| Current | | | 131 |
| | | | 471 |

| | Total future minimum lease receivables<br>*RMB'000* | Unearned finance income<br>*RMB'000* | Present value of minimum lease receivables<br>*RMB'000* |
|---|---|---|---|
| **At 31 December 2013** | | | |
| Within one year | 190 | (39) | 151 |
| More than one year but within five years | 205 | (16) | 189 |
| Subtotal | 395 | (55) | 340 |
| Non-current | | | 189 |
| Current | | | 151 |
| | | | 340 |
| **At 30 June 2014** | | | |
| Within one year | 190 | (28) | 162 |
| More than one year but within five years | 111 | (5) | 106 |
| Subtotal | 301 | (33) | 268 |
| Non-current | | | 106 |
| Current | | | 162 |
| | | | 268 |

## 15. Investments in subsidiaries

***Haikou Xinyuan***

Investments in subsidiaries by Haikou Xinyuan are all unlisted equity interest stated at cost as at 31 December 2011, 2012 and 2013 and 30 June 2014 respectively.

As at the date of this report, particulars of the subsidiaries held by Haikou Xinyuan are set out as follows:

| Company name | Date and place of incorporation/establishment and kind of legal entity | Particulars of registered capital | Effective interest directly held by Haikou Xinyuan | Principal activities |
|---|---|---|---|---|
| 海口鑫元翠和天然氣加氣站有限公司 | Incorporated in the PRC on 10 December 2008, limited liability company | RMB3,200,000 | 60% | Construction and operation of natural gas refilling stations for vehicles in the PRC |
| 海口鑫元信和天然氣加氣站有限公司 ("Xinyuan Xinhe") | Incorporated in the PRC on 4 March 2009, limited liability company | RMB3,500,000 | 50% | Construction and operation of natural gas refilling stations for vehicles in the PRC |
| 海口鑫元友和天然氣加氣站有限公司 | Incorporated in the PRC on 26 September 2008, limited liability company | RMB1,000,000 | 55% | Construction and operation of natural gas refilling stations for vehicles in the PRC |
| 海口鑫元明和天然氣加氣站有限公司 | Incorporated in the PRC on 4 August 2008, limited liability company | RMB5,000,000 | 80% | Construction and operation of natural gas refilling stations for vehicles in the PRC |

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

## 16. Investments in associate

***The Haikou Xinyuan Group and Haikou Xinyuan***

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Unlisted shares, at cost | 19,908 | 19,908 | 19,908 | 19,908 |
| Share of net assets | 14,156 | 15,178 | 16,377 | 16,169 |
| Goodwill | 10,657 | 10,657 | 10,657 | 10,657 |
| | 24,813 | 25,835 | 27,034 | 26,826 |

Details of the associate as at 31 December 2011, 2012, 2013 and 30 June 2014 is as follows:

| Name | Form of business structure and country of incorporation | Particulars of registered capital | Percentage of interest held by Haikou Xinyuan | Principal activities and place of operation |
|---|---|---|---|---|
| 海南大眾天然氣開發利用有限公司 | Incorporated in the PRC, limited liability company | RMB30,000,000 | 26% | Construction and operation of natural gas refilling stations for vehicles in the PRC |

The following table illustrates the financial information of the Haikou Xinyuan Group's associate extracted from its unaudited management accounts:

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Current assets | 20,862 | 23,641 | 26,051 | 21,248 |
| Non-current assets | 42,960 | 58,105 | 56,183 | 54,598 |
| Current liabilities | (4,216) | (15,010) | (10,418) | (4,445) |
| Net assets | 59,606 | 66,736 | 71,816 | 71,401 |
| Haikou Xinyuan Group's share of net assets | 14,156 | 15,178 | 16,377 | 16,169 |
| **For the year /period ended** | | | | |
| Total revenue for the year/period | 111,218 | 138,663 | 149,127 | 84,483 |
| Profit and total comprehensive income for the year/period | 9,435 | 8,630 | 9,276 | 3,835 |
| Dividends received from associate | 780 | 1,170 | 1,040 | 1,105 |
| Haikou Xinyuan Group's share of profit for the year/period | 2,386 | 2,192 | 2,239 | 897 |

The Haikou Xinyuan Group has not incurred any contingent liabilities or other commitments relating to its investments in associate.

## 17. Available-for-sale financial assets

***The Haikou Xinyuan Group and Haikou Xinyuan***

Haikou Xinyuan's available-for-sale financial assets are all unlisted equity investments stated at cost as at 31 December 2011, 2012 and 2013 and 30 June 2014.

This represents a 10% equity investment in an unlisted PRC-incorporated company engaged in development and operation of integrated circuit card for sale proceed collection of gas refilling stations in Hainan Province, the PRC and a 3.89% equity investment in another unlisted PRC-incorporated company engaged in provision of installation, repairs and maintenance services to natural gas vehicles in Hainan Province, the PRC.

These unlisted equity investments are measured at cost less impairment losses as there are no quoted market prices in active market and the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably.

## 18. Trade and other receivables

***The Haikou Xinyuan Group***

| | | At 31 December | | | At 30 June |
|---|---|---|---|---|---|
| | | 2011 | 2012 | 2013 | 2014 |
| | *Notes* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables, gross | | 3,573 | 2,780 | 18 | 1 |
| *Less:* Impairment loss | *(i)* | – | (600) | – | – |
| Trade receivables, net | *(ii)* | 3,573 | 2,180 | 18 | 1 |
| Deposits, prepayments and other receivables | *(iii), (iv)* | 4,601 | 1,883 | 1,026 | 4,799 |
| | | 8,174 | 4,063 | 1,044 | 4,800 |

***Haikou Xinyuan***

| | Notes | At 31 December 2011 RMB'000 | 2012 RMB'000 | 2013 RMB'000 | At 30 June 2014 RMB'000 |
|---|---|---|---|---|---|
| Trade receivables, gross | | 400 | 139 | – | – |
| *Less:* Provision for impairment | | – | – | – | – |
| Trade receivables, net | *(ii)* | 400 | 139 | – | – |
| Deposits, prepayments and other receivables | *(iii)* | 1,429 | 601 | 695 | 975 |
| | | 1,829 | 740 | 695 | 975 |

*Notes:*

(i) The Haikou Xinyuan Group has individually assessed all receivables and provided in full for all receivables that are considered not recoverable. For the year ended 31 December 2012, impairment loss of approximately RMB600,000 was recognised on a private enterprise which was in financial difficulties and management of the Haikou Xinyuan Group assessed that the corresponding debts due from this private enterprise were not recoverable.

(ii) Based on the invoice dates, ageing analysis of the Haikou Xinyuan Group's trade receivables as at the respective reporting date is as follows:

| **The Haikou Xinyuan Group** | At 31 December 2011 RMB'000 | 2012 RMB'000 | 2013 RMB'000 | At 30 June 2014 RMB'000 |
|---|---|---|---|---|
| 0-90 days | 3,308 | 1,727 | 18 | 1 |
| 91-180 days | 165 | 3 | – | – |
| 181-365 days | 88 | 9 | – | – |
| Over 365 days | 12 | 441 | – | – |
| | 3,573 | 2,180 | 18 | 1 |

Ageing analysis of the Haikou Xinyuan Group's trade receivables that are neither individually nor collectively considered to be impaired is as follows:

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| **The Haikou Xinyuan Group** | **2011** | **2012** | **2013** | **2014** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Neither past due nor impaired | 2,355 | 1,727 | 18 | 1 |
| 0-90 days past due | 952 | – | – | – |
| 91-180 days past due | 165 | 3 | – | – |
| 181-365 days past due | 88 | 9 | – | – |
| More than 365 days past due | 13 | 441 | – | – |
| | 3,573 | 2,180 | 18 | 1 |

Based on the invoice dates, ageing analysis of Haikou Xinyuan's trade receivables as at the respective reporting date is as follows:

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| **Haikou Xinyuan** | **2011** | **2012** | **2013** | **2014** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 0-90 days | 290 | – | – | – |
| 91-180 days | 110 | – | – | – |
| 181-365 days | – | – | – | – |
| Over 365 days | – | 139 | – | – |
| | 400 | 139 | – | – |

Ageing analysis of Haikou Xinyuan's trade receivables that are neither individually nor collectively considered to be impaired is as follows:

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| **Haikou Xinyuan** | **2011** | **2012** | **2013** | **2014** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Neither past due nor impaired | 69 | – | – | – |
| 0-90 days past due | 221 | – | – | – |
| 91-180 days past due | 110 | – | – | – |
| More than 365 days past due | – | 139 | – | – |
| | 400 | 139 | – | – |

Both the Haikou Xinyuan Group and Haikou Xinyuan allow a credit period of 30 days to certain customers during the Relevant Periods.

The Haikou Xinyuan Group and Haikou Xinyuan's trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Haikou Xinyuan Group and Haikou Xinyuan respectively. Based on the past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and these balances are still considered fully recoverable.

(iii) As at 31 December 2011, included in the Haikou Xinyuan Group and Haikou Xinyuan's deposits, prepayments and other receivables was a loan receivable of approximately RMB1,000,000 due from an independent third party. This loan was unsecured, interest bearing at 8% per annum and repayable within 30 days. The loan was subsequently settled during the year ended 31 December 2012.

(iv) As at 30 June 2014, included in the Haikou Xinyuan Group's deposits, prepayments and other receivables was a loan receivable of approximately RMB3,000,000 due from an independent third party. This loan was unsecured, interest bearing at 10% per annum and repayable within 15 days.

## 19. Cash and cash equivalents

***The Haikou Xinyuan Group***

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2014** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash at banks and on hand | 7,891 | 15,796 | 27,682 | 24,903 |
| Time deposits | 6,000 | 10,000 | 2,000 | 3,000 |
| | 13,891 | 25,796 | 29,682 | 27,903 |

***Haikou Xinyuan***

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2014** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash at banks and on hand | 2,593 | 5,934 | 14,279 | 15,570 |
| Time deposits | 6,000 | 10,000 | 2,000 | 2,000 |
| | 8,593 | 15,934 | 16,279 | 17,570 |

Time deposits were made on periods for 10 to 21 days depending on immediate cash requirement of the Haikou Xinyuan Group and Haikou Xinyaun, and earned fixed-rate interest ranging from 2.1% to 4.8% per annum.

## 20. Trade and other payables

***The Haikou Xinyuan Group***

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | – | 550 | 370 | 458 |
| Accruals and other payables | 3,507 | 2,194 | 2,073 | 757 |
| Receipts in advance | 2,399 | 3,058 | 178 | 12 |
| | 5,906 | 5,802 | 2,621 | 1,227 |

Based on invoice dates, ageing analysis of trade payables is as follows:

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 0-90 days | – | 550 | 370 | 417 |
| 91-180 days | – | – | – | – |
| 181-365 days | – | – | – | 41 |
| | – | 550 | 370 | 458 |

***Haikou Xinyuan***

| | At 31 December | | | At 30 June |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | – | 342 | 212 | 279 |
| Accruals and other payables | 1,387 | 1,451 | 1,356 | 210 |
| Receipts in advance | 2,292 | 636 | 105 | – |
| | 3,679 | 2,429 | 1,673 | 489 |

Based on invoice dates, all trade payables of Haikou Xinyuan, if any, were aged 0-90 days as at 31 December 2011, 2012, 2013 and 30 June 2014.

**21. Amounts due from/(to) shareholders/related parties**

Amounts due are unsecured, interest-free and repayable on demand.

**22. Paid-in capital**

Haikou Xinyuan was incorporated in the PRC on 22 July 2004 as a limited liability under the Company Law of the PRC. The registered and paid-in capital of Haikou Xinyuan upon incorporation was RMB15,843,000. Pursuant to the 2nd shareholders' meeting dated 22 June 2008, the registered and paid-in capital of Haikou Xinyuan was increased by RMB14,157,000 to RMB30,000,000 . The balance as at 31 December 2011, 2012, 2013 and 30 June 2014 represented the paid-in capital of Haikou Xinyuan contributed by its equity holders.

**23. Reserves**

***The Haikou Xinyuan Group***

In accordance with the relevant laws and regulations of the PRC and articles of association of the subsidiaries within the Haikou Xinyuan Group, each of the subsidiaries is required to transfer 10% of their profits after tax prepared in accordance with the accounting regulations in the PRC to the statutory reserves until the reserve balance reaches 50% of their registered capital. Such reserves may be used to reduce any losses incurred or to be capitalised as paid-up capital.

Details of movements in the Haikou Xinyuan Group's reserves for the years ended 31 December 2011, 2012 and 2013 and for the six months ended 30 June 2014 are presented in the consolidated statements of changes in equity on page III-8.

***Haikou Xinyuan***

| | Statutory reserves | Retained earnings | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 1 January 2011** | 1,433 | 5,550 | 6,983 |
| Profit and total comprehensive income for the year | – | 8,607 | 8,607 |
| Appropriations to statutory reserves | 860 | (860) | – |
| Dividends paid *(note 12)* | – | (3,000) | (3,000) |
| **At 31 December 2011 and 1 January 2012** | 2,293 | 10,297 | 12,590 |
| Profit and total comprehensive income for the year | – | 8,230 | 8,230 |
| Appropriations to statutory reserves | 823 | (823) | – |
| Dividends paid *(note 12)* | – | (4,500) | (4,500) |
| **At 31 December 2012 and 1 January 2013** | 3,116 | 13,204 | 16,320 |
| Profit and total comprehensive income for the year | – | 6,960 | 6,960 |
| Appropriations to statutory reserves | 696 | (696) | – |
| Dividends paid *(note 12)* | – | (6,000) | (6,000) |
| **At 31 December 2013 and 1 January 2014** | 3,812 | 13,468 | 17,280 |
| Profit and total comprehensive income for the period | – | 5,615 | 5,615 |
| Appropriations to statutory reserves | 561 | (561) | – |
| Dividends paid *(note 12)* | – | (6,000) | (6,000) |
| **At 30 June 2014** | 4,373 | 12,522 | 16,895 |

**24. Non-controlling interests**

Xinyuan Xinhe, a Haikou Xinyuan's 50% owned subsidiary, has material non-controlling interest. Summarised financial information of Xinyuan Xinhe, before intra-group eliminations, is presented below:

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| Revenue/Turnover | 22,006 | 33,750 | 22,058 | 11,966 | 6,110 |
| Profit/(Loss) for the year/period | 1,625 | (470) | 2,037 | 1,791 | (522) |
| Total comprehensive income for the year/period | 1,625 | (470) | 2,037 | 1,791 | (522) |
| Total comprehensive income attributable to non-controlling interest | 812 | (235) | 1,018 | 895 | (261) |
| Dividends paid to non-controlling interest | 525 | 263 | 438 | 438 | – |
| Cash flows from operating activities | (2,617) | 4,326 | 938 | 1,834 | (509) |
| Cash flows from investing activities | (1,149) | (3,209) | – | – | – |
| Cash flows from financing activities | (651) | (525) | (875) | (875) | – |
| Net cash inflows/(outflows) | (4,417) | 592 | 63 | 959 | (509) |

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Current assets | 5,478 | 3,954 | 1,866 | 1,540 |
| Non-current assets | 6,177 | 8,527 | 7,382 | 6,965 |
| Current liabilities | (4,275) | (6,096) | (1,701) | (1,480) |
| Non-current liabilities | – | – | – | – |
| Net assets | 7,380 | 6,385 | 7,547 | 7,025 |
| Accumulated non-controlling interest | 3,690 | 3,192 | 3,773 | 3,512 |

The non-controlling interests of all other subsidiaries that are not 100% owned by the Haikou Xinyuan Group are considered to be immaterial.

## 25. Capital commitments

At each of the reporting date, the Haikou Xinyuan Group had the following capital commitments:

| | As at 31 December | | | At 30 June |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contracted but not provided for: | | | | |
| – acquisition of property, plant and equipment | 976 | 148 | – | – |

At each of the reporting date, Haikou Xinyuan did not have any significant capital commitments.

## 26. Operating leases commitments

The Haikou Xinyuan Group and Haikou Xinyuan lease the lands in respect of its gas refilling stations and office premise. The leases in respect of gas stations run for an initial period of 8 to 20 years and in respect of the office premise run for an initial period of 1 to 2 years, with an option to renew the lease terms at the expiry date. As at 31 December 2011, 2012 and 2013 and 30 June 2014, certain leasing arrangements have been subject to contingent rent by reference to sales made to certain customers throughout the leasing periods. The minimum guaranteed rental has been used to calculate the following commitments.

Total future minimum lease payments under non-cancellable operating leases are due as follows:

| | As at 31 December | | | At 30 June |
|---|---|---|---|---|
| ***The Haikou Xinyuan Group*** | 2011 | 2012 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within one year | 960 | 1,028 | 890 | 870 |
| In the second to fifth years, inclusive | 4,210 | 4,050 | 4,036 | 4,220 |
| | 5,170 | 5,078 | 4,926 | 5,090 |

| | As at 31 December | | | At 30 June |
|---|---|---|---|---|
| ***Haikou Xinyuan*** | **2011** | **2012** | **2013** | **2014** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within one year | 349 | 349 | 208 | 182 |
| In the second to fifth years, inclusive | 987 | 782 | 718 | 881 |
| | 1,336 | 1,131 | 926 | 1,063 |

## 27. Related party transactions

In addition to the transactions and balances disclosed elsewhere in the Financial Information, the Haikou Xinyuan Group and Haikou Xinyuan had the following significant transactions with related parties during the Relevant Periods:

### *The Haikou Xinyuan Group*

| | Name of | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|---|
| **Nature of transactions** | **related party** | **2011** | **2012** | **2013** | **2013** | **2014** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| Interest income earned from finance leases | Shareholder | 91 | 76 | 59 | 32 | 22 |
| Purchase of goods | Shareholder | 63,473 | 86,188 | 66,952 | 35,281 | 30,763 |

### *Haikou Xinyuan*

| | Name of | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|---|
| **Nature of transactions** | **related party** | **2011** | **2012** | **2013** | **2013** | **2014** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* (Unaudited) | *RMB'000* |
| Interest income earned from finance leases | Shareholder | 91 | 76 | 59 | 32 | 22 |
| Purchase of goods | Shareholder | 57,923 | 78,520 | 61,007 | 32,064 | 28,115 |

Terms of the related party transactions carried out during the Relevant Periods were mutually agreed between the Haikou Xinyuan Group/Haikou Xinyuan and its related party.

**28. Financial risk management**

***(a) Financial risk factors***

The Haikou Xinyuan Group is exposed to a variety of financial risks in the normal course of business. The Haikou Xinyuan Group does not have written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate strategies to manage the Haikou Xinyuan Group's exposure to market risks, (specifically to interest rate risk, price risk and fair value risk), credit risk and liquidity risk. Generally, the Haikou Xinyuan Group utilises conservative strategies on its risk management. The Haikou Xinyuan Group's exposure to market risk is kept to minimum. The Haikou Xinyuan Group has not used any derivatives or other instruments for hedging purposes. The Haikou Xinyuan Group does not issue derivative financial instruments for trading purposes.

The most significant financial risks to which the Haikou Xinyuan Group is exposed are described below. A summary of the Haikou Xinyuan Group's and Haikou Xinyuan's financial assets and liabilities by category is shown in note 28(b).

*Credit risk*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Haikou Xinyuan Group.

The objective of the Haikou Xinyuan Group's measures to manage credit risk is to control potential exposure to recoverability problem. Most of the Haikou Xinyuan Group's cash and cash equivalents are held in major reputable financial institutions in the PRC, which management believes are of high credit quality.

The Haikou Xinyuan Group has policies in place to ensure that sales of goods are made to customers with an appropriate credit history and the Haikou Xinyuan Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. Generally customers are granted credit terms of 30 days. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Haikou Xinyuan Group closely monitors the concentration of credit risk on individual customers based on their credit worthiness.

Other than the receivables under finance leases, none of the Haikou Xinyuan Group's financial assets are secured by collateral or other credit enhancements.

*Interest rate risks*

The Haikou Xinyuan Group does not have material exposure to interest rate risk. A reasonably possible change in interest rate in the next twelve months is assessed; which could have immaterial change in the Haikou Xinyuan Group's profit after tax and retained earnings. Changes in interest rates have no material impact on the Haikou Xinyuan Group's other components of equity. The Haikou Xinyuan Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Haikou Xinyuan Group's overall interest expenses.

The directors are of the opinion that the Haikou Xinyuan Group's sensitivity to the change in interest rate is low.

*Fair value risk*

The fair values of the Haikou Xinyuan Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

*Liquidity risk*

The Haikou Xinyuan Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Haikou Xinyuan Group will raise funds from the realisation of its assets if required.

As at the respective reporting date, the remaining contractual maturity of the Haikou Xinyuan Group's financial liabilities which are based on undiscounted cash flows are summaries below:

| | Carrying amount | Total contractual undiscounted cash flow | Within 1 year or on demand |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 31 December 2011** | | | |
| Trade and other payables | 4,913 | 4,913 | 4,913 |
| Amounts due to a shareholder | 1,412 | 1,412 | 1,412 |
| Amounts due to related parties | 854 | 854 | 854 |
| | 7,179 | 7,179 | 7,179 |
| **At 31 December 2012** | | | |
| Trade and other payables | 4,656 | 4,656 | 4,656 |
| Amounts due to a shareholder | 5,211 | 5,211 | 5,211 |
| Amounts due to related parties | 584 | 584 | 584 |
| | 10,451 | 10,451 | 10,451 |
| **At 31 December 2013** | | | |
| Trade and other payables | 1,625 | 1,625 | 1,625 |
| Amounts due to a shareholder | 1,826 | 1,826 | 1,826 |
| | 3,451 | 3,451 | 3,451 |
| **At 30 June 2014** | | | |
| Trade and other payables | 1,209 | 1,209 | 1,209 |
| Amounts due to a shareholder | 4,753 | 4,753 | 4,753 |
| | 5,962 | 5,962 | 5,962 |

***(b) Summary of financial assets and liabilities by category***

The carrying amounts of the Haikou Xinyuan Group's and Haikou Xinyuan's financial assets and liabilities recognised at the reporting dates are categorised as follows. See notes 2.8 and 2.10 for explanations on how the category of financial instruments affects their subsequent measurement.

***The Haikou Xinyuan Group***

| | As at 31 December | | | At 30 June |
|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2014** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets** | | | | |
| Loans and receivables: | | | | |
| – Trade and other receivables | 5,695 | 3,615 | 717 | 4,116 |
| – Amounts due from shareholders | – | – | 118 | 100 |
| – Receivables under finance leases | 585 | 471 | 340 | 268 |
| Available-for-sale financial assets | 300 | 300 | 300 | 300 |
| Cash and cash equivalents | 13,891 | 25,796 | 29,682 | 27,903 |
| | 20,471 | 30,182 | 31,157 | 32,687 |
| **Financial liabilities** | | | | |
| Financial liabilities measured at amortised cost: | | | | |
| – Trade and other payables | 4,913 | 4,656 | 1,625 | 1,209 |
| – Amounts due to related parties | 854 | 584 | – | – |
| – Amounts due to a shareholder | 1,412 | 5,211 | 1,826 | 4,753 |
| | 7,179 | 10,451 | 3,451 | 5,962 |

***Haikou Xinyuan***

| | As at 31 December | | | At 30 June |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets** | | | | |
| Loans and receivables: | | | | |
| – Trade and other receivables | 1,618 | 558 | 519 | 655 |
| – Amounts due from shareholders | – | – | 118 | 100 |
| – Amounts due from subsidiaries | 4,494 | 3,828 | 1,000 | 1,000 |
| Receivables under finance leases | 585 | 471 | 340 | 268 |
| Available-for-sale financial assets | 300 | 300 | 300 | 300 |
| Cash and cash equivalents | 8,593 | 15,934 | 16,279 | 17,570 |
| | 15,590 | 21,091 | 18,556 | 19,893 |
| **Financial liabilities** | | | | |
| Financial liabilities measured at amortised cost: | | | | |
| – Trade and other payables | 2,688 | 1,286 | 679 | 479 |
| – Amounts due to a shareholder | 584 | 2,943 | – | 2,577 |
| | 3,272 | 4,229 | 679 | 3,056 |

## 29. CAPITAL MANAGEMENT

The primary objective of the Haikou Xinyuan Group's capital management is to safeguard its ability to continue as going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Haikou Xinyuan Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Haikou Xinyuan Group may adjust the dividend payment to equity holders, return capital to equity holders, issue new equity interest as well as the issue of new debt. No changes were made in the objectives, policies or processes during the Relevant Periods.

The management regards total equity as capital. The amount of capital as at 31 December 2011, 2012, 2013 and 30 June 2014 amounted to approximately RMB57,825,000, RMB63,703,000, RMB70,693,000 and RMB69,246,000 respectively which the management considers as optimal having considered the projected capital expenditures and projected strategic investment opportunities.

## III. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting period ended 30 June 2014, 84 sale and purchase agreements dated between 11 July 2014 and 21 August 2014 were entered into between 深圳宏德豐能源有限公司 as purchaser and 84 individual shareholders of Haikou Xinyuan as vendors for the acquisition of a total of 8,356,431 shares of Haikou Xinyuan with contract sums ranging from approximately RMB20,000 to RMB1,243,000.

Saved as disclosed above, no significant event has been noted for the Haikou Xinyuan Group and Haikou Xinyuan in respect of any period subsequent to 30 June 2014.

## IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Haikou Xinyuan Group, Haikou Xinyuan or any of its subsidiaries in respect of any period subsequent to 30 June 2014.

**BDO Limited**
*Certified Public Accountants*
**Au Yiu Kwan**
Practising Certificate Number: P05018

Hong Kong

## MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

The Target Company is an investment holding company incorporated in British Virgin Islands with limited liability in October 2013. The Target Company currently has three wholly-owned subsidiaries, namely Top Bonus Limited (達鵬有限公司), Win Health Limited (宏德豐有限公司) and Shenzhen Hong Wheelock, all of which are also investment holding companies incorporated in 2013. As at 31 December 2013 and 30 June 2014, the consolidated net liabilities of the Target Company was approximately HK$602 and HK$1,237 respectively.

As at 31 December 2013 and 30 June 2014, the Target Company and its subsidiaries had no capital commitment, charge on assets or contingent liability.

The Target Company and its subsidiaries had no significant investment, material acquisition or disposal during the period from their respective date of incorporation to 31 December 2013 and the six months ended 30 June 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS OF HAIKOU XINYUAN GROUP

Set out below is the management discussion and analysis of the operating results and business review of Haikou Xinyuan Group for each of the three years ended 31 December 2011, 2012 and 2013 and the six months ended 30 June 2014.

### For the year ended 31 December 2011

#### Business review

For the year ended 31 December 2011, turnover of Haikou Xinyuan Group was approximately RMB89.7 million. The turnover is all from its PRC regarding operation of natural gas refilling stations for vehicles. The turnover for the year ended 31 December 2011 is the lowest compared to that for the years ended 31 December 2012 and 2013 mainly because there are only a very small amount of liquefied natural gas (the "**LNG**") was being sold for the year ended 31 December 2011.

For the year ended 31 December 2011, gross profit and gross profit margin of Haikou Xinyuan Group was approximately RMB26.2 million and approximately 29.2%. The gross profit for the year ended 31 December 2011 is the lowest among the three years ended 31 December 2013 mainly attributable to the lowest turnover for the year ended 31 December 2011 as compared to the other two years. The gross profit margin was higher than that for the year ended 31 December 2012 mainly because more LNG was being sold in the year ended 31 December 2012 and the profit margin for the LNG is relatively lower than compressed natural gas (the "**CNG**").

Although the gross profit for the year ended 31 December 2011 was the lowest among the three years ended 31 December 2013, the profit after tax of RMB12.0 million for the year ended 31 December 2011 was higher than that of RMB10.8 million for the year ended 31 December 2012 mainly because of the relatively lower selling and distribution costs for the year ended 31 December 2011. The selling and distribution costs increased in 2012 mainly because Haikou Xinyuan Group started to use the integrated circuit card for fare collection of gas refilling stations in 2012 and incurred service cost in relation to such service. Accordingly, the net profit margin was approximately 13.4%, which is also higher than that for the year ended 31 December 2012 and slightly lower than that for the year ended 31 December 2013.

**Liquidity and financial resources**

As at 31 December 2011, the net current assets of Haikou Xinyuan Group were approximately RMB13.6 million. The current assets mainly comprised of cash and cash equivalent of approximately RMB13.9 million and trade and other receivables of approximately RMB8.2 million. The current liabilities mainly comprised of trade and other payables of approximately RMB5.9 million and amounts due to a shareholder of approximately RMB1.4 million. The Group does not have any borrowings as at 31 December 2011.

**Gearing ratio**

The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 13.1% as at 31 December 2011.

**Capital commitments**

As at 31 December 2011, Haikou Xinyuan Group had capital commitment of approximately RMB976,000 in respect of the acquisition of property, plant and equipment.

**Significant investment, material acquisition and disposals**

Haikou Xinyun Group did not have any significant investments and did not have material acquisition and disposal during the year ended 31 December 2011.

**Charge on assets**

There was no charge on assets of Haikou Xinyuan Group as at 31 December 2011.

**Remuneration policies and employee information**

As at 31 December 2011, Haikou Xinyuan and its subsidiaries had 109 employees. Total staff costs for the year ended 31 December 2011 were approximately HK$5.2 million. Haikou Xinyuan Group remunerated its employees based on the job nature, individual performance, working experiences, professional qualification and market trends. Haikou Xinyuan Group also provides various training to the employees periodically. Haikou Xinyuan Group had no share option scheme for the year ended 31 December 2011.

**Foreign exchange exposure and treasury policies**

Haikou Xinyuan Group had limited foreign currency exposures arising from the transactions, assets and liabilities that are denominated in a currency other than the respective functional currencies of the entities comprising the Haikou Xinyuan Group. Accordingly, no financial instrument for hedging of foreign currency risk was used by Haikou Xinyuan Group during the year ended 31 December 2011. Haikou Xinyuan Group adopted centralised treasury policies in cash and financial management.

**Contingent liabilities**

As at 31 December 2011, Haikou Xinyuan Group had no material contingent liabilities.

**Segmental information**

There was only one business component in the internal reporting to the executive directors, which was the construction and operation of natural gas refilling stations for vehicles. Haikou Xinyuan Group's assets and capital expenditure were principally attributable to this business component. The principal place of operation of Haikou Xinyuan Group was PRC and all non-current assets of Haikou Xinyuan Group were located in the PRC for the year ended 31 December 2011.

**For the year ended 31 December 2012**

**Business review**

For the year ended 31 December 2012, turnover of Haikou Xinyuan Group was approximately RMB113.2 million, representing an increase of approximately RMB23.5 million or approximately 26.2%, as compared to that for the year ended 31 December 2011. The increase was mainly attributable to increased sales of LNG to its customers during 2012.

For the year ended 31 December 2012, gross profit of Haikou Xinyuan Group was approximately RMB27.0 million, representing an increase of approximately RMB812,000 or approximately 3.1%, as compared to that for the year ended 31 December 2011. The increase was mainly as a result of the increase in turnover outweighs the increase in cost of sales, which was mainly attributable to more LNG was being sold in the year ended 31 December 2012 which have lower gross profit margin compared to CNG. The gross profit margin of Haikou Xinyuan Group for the year ended 31 December 2012 decreased to approximately 23.9%.

For the year ended 31 December 2012, profit after tax of Haikou Xinyuan Group was approximately RMB10.8 million, representing a decrease of approximately RMB1.2 million or approximately 10.0%, as compared to that for the year ended 31 December 2011. The decrease was mainly attributable to the increase in selling and distribution costs of approximately RMB2.1 million as a result of the service cost incurred in relation to the operation of integrated circuit card which started to be used by Haikou Xinyuan Group for fare collection of gas refilling stations in 2012 and the increase in administrative expenses due to the salary increase to general staff. The net profit margin of Haikou Xinyuan Group for the year ended 31 December 2012 decreased to approximately 9.6% which was mainly as a result of the increase in selling and distribution costs.

**Liquidity and financial resources**

As at 31 December 2012, the net current assets of Haikou Xinyuan Group were approximately RMB17.9 million. The current assets mainly comprised of cash and cash equivalent of approximately RMB25.8 million and trade and other receivables of approximately RMB4.1 million. The current liabilities mainly comprised of trade and other payables of approximately RMB5.8 million and amounts due to a shareholder of approximately RMB5.2 million. The Group does not have any borrowings as at 31 December 2012.

**Gearing ratio**

The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 16.0% as at 31 December 2012.

**Capital commitments**

As at 31 December 2012, Haikou Xinyuan Group had capital commitment of approximately RMB148,000 in respect of the acquisition of property, plant and equipment.

**Significant investment, material acquisition and disposals**

Haikou Xinyun Group did not have any significant investments and did not have material acquisition and disposal during the year ended 31 December 2012.

**Charge on assets**

There was no charge on assets of Haikou Xinyuan Group as at 31 December 2012.

**Remuneration policies and employee information**

As at 31 December 2012, Haikou Xinyuan and its subsidiaries had 128 employees. Total staff costs for the year ended 31 December 2012 were approximately HK$6.4 million. Haikou Xinyouan Group remunerated its employees based on the job nature, individual performance, working experiences, professional qualification and market trends. Haikou Xinyuan Group also provides various training to the employees periodically.

**Foreign exchange exposure and treasury policies**

Haikou Xinyuan Group had limited foreign currency exposures arising from the transactions, assets and liabilities that are denominated in a currency other than the respective functional currencies of the entities comprising the Haikou Xinyuan Group. Accordingly, no financial instrument for hedging of foreign currency risk was used by Haikou Xinyuan Group during the year ended 31 December 2012. Haikou Xinyuan Group adopted centralised treasury policies in cash and financial management.

**Contingent liabilities**

As at 31 December 2012, Haikou Xinyuan Group had no material contingent liabilities.

**Segmental information**

There was only one business component in the internal reporting to the executive directors, which was the construction and operation of natural gas refilling stations for vehicles. Haikou Xinyuan Group's assets and capital expenditure were principally attributable to this business component. The principal place of operation of Haikou Xinyuan Group was PRC and all non-current assets of Haikou Xinyuan Group were located in the PRC for the year ended 31 December 2012.

**For the year ended 31 December 2013**

**Business review**

For the year ended 31 December 2013, turnover of Haikou Xinyuan Group was approximately RMB96.5 million, representing a decrease of approximately RMB16.7 million or approximately 14.7%, as compared to that for the year ended 31 December 2012. The decrease was mainly attributable to the decrease in sales of LNG for the year ended 31 December 2013 as compared to that for the year ended 31 December 2012.

For the year ended 31 December 2013, gross profit of Haikou Xinyuan Group was approximately RMB29.6 million, representing an increase of approximately RMB2.6 million or approximately 9.5%, as compared to that for the year ended 31 December 2012. The increase was mainly as a result of the decrease in cost of sales outweighs the decrease in revenue, which was mainly attributable to the decrease in sales of LNG have a lower gross profit margin compared to CNG. The gross profit margin of Haikou Xinyuan Group for the year ended 31 December 2013 increased to approximately 30.6%.

For the year ended 31 December 2013, profit after tax of Haikou Xinyuan Group was approximately RMB13.6 million, representing an increase of approximately RMB2.8 million or approximately 25.7%, as compared to that for the year ended 31 December 2012. The increase was mainly attributable to the increase in gross profit as discussed above. The net profit margin of Haikou Xinyuan Group for the year ended 31 December 2013 increased to approximately 14.1% which was mainly as a result of the increase in gross profit margin as discussed above.

**Liquidity and financial resources**

As at 31 December 2013, the net current assets of Haikou Xinyuan Group were approximately RMB26.5 million. The current assets mainly comprised of cash and cash equivalent of approximately RMB29.7 million and trade and other receivables of approximately RMB1.0 million. The current liabilities mainly comprised of trade and other payables of approximately RMB2.6 million and amounts due to a shareholder of approximately RMB1.8 million. The Group does not have any borrowings as at 31 December 2013.

**Gearing ratio**

The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 6.0% as at 31 December 2013.

**Capital commitments**

As at 31 December 2013, Haikou Xinyuan Group did not have any significant capital commitments.

**Significant investment, material acquisition and disposals**

Haikou Xinyun Group did not have any significant investments and did not have material acquisition and disposal during the year ended 31 December 2013.

**Charge on assets**

There was no charge on assets of Haikou Xinyuan Group as at 31 December 2013.

**Remuneration policies and employee information**

As at 31 December 2013, Haikou Xinyuan and its subsidiaries had 121 employees. Total staff costs for the year ended 31 December 2013 were approximately HK$6.3 million. Haikou Xinyouan Group remunerated its employees based on the job nature, individual performance, working experiences, professional qualification and market trends. Haikou Xinyuan Group also provides various training to the employees periodically.

**Foreign exchange exposure and treasury policies**

Haikou Xinyuan Group had limited foreign currency exposures arising from the transactions, assets and liabilities that are denominated in a currency other than the respective functional currencies of the entities comprising the Haikou Xinyuan Group. Accordingly, no financial instrument for hedging of foreign currency risk was used by Haikou Xinyuan Group during the year ended 31 December 2013. Haikou Xinyuan Group adopted centralised treasury policies in cash and financial management.

**Contingent liabilities**

As at 31 December 2013, Haikou Xinyuan Group had no material contingent liabilities.

**Segmental information**

There was only one business component in the internal reporting to the executive directors, which was the construction and operation of natural gas refilling stations for vehicles. Haikou Xinyuan Group's assets and capital expenditure were principally attributable to this business component. The principal place of operation of Haikou Xinyuan Group was PRC and all non-current assets of Haikou Xinyuan Group were located in the PRC for the year ended 31 December 2013.

**For the six months ended 30 June 2014**

**Business review**

For the six months ended 30 June 2014, turnover of Haikou Xinyuan Group was approximately RMB42.8 million, representing a decrease of approximately RMB9.6 million or approximately 18.3%, as compared to that for the six months ended 30 June 2013. The decrease was mainly attributable to the further decrease in sales of LNG in view of its relatively lower profit margin than CNG.

For the six months ended 30 June 2014, gross profit of Haikou Xinyuan Group was approximately RMB12.0 million, representing a decrease of approximately RMB5.0 million or approximately 29.6%, as compared to that for the six months ended 30 June 2013. The decrease was mainly as a result of the decrease in revenue outweighs the decrease in cost of sales when compared to the corresponding period in 2013, which was mainly attributable to the decrease in turnover as discussed above and the increase of both purchase and selling price of CNG by same amount of RMB0.4 per cubic metres with effect in September 2013 as announced by Hainan Province Price Bureau pursuant to 瓊價價管 (2013) 614號 (Qiong Jia Jia Guan (2013) No. 614*) dated 16 September 2013, which in effect decreased the profit margin of selling of CNG. The gross profit margin of Haikou Xinyuan Group for the six months ended 30 June 2014 decreased to approximately 28.1% as compared to that of 32.6% for the six months ended 30 June 2013.

For the six months ended 30 June 2014, profit after tax of Haikou Xinyuan Group was approximately RMB5.3 million, representing a decrease of approximately RMB3.8 million or approximately 42.0%, as compared to that for the six months ended 30 June 2013. The decrease was mainly attributable to the decrease in gross profit as discussed above. The net profit margin of Haikou Xinyuan Group for the six months ended 30 June 2014 decreased to approximately 12.4% as compared to that of 17.5% for the six months ended 30 June 2013 which was mainly as a result of the decrease in gross profit margin as discussed above.

**Liquidity and financial resources**

As at 30 June 2014, the net current assets of Haikou Xinyuan Group were approximately RMB26.4 million. The current assets mainly comprised of cash and cash equivalent of approximately RMB27.9 million and trade and other receivables of approximately RMB4.8 million. The current liabilities mainly comprised of amounts due to a shareholder of approximately RMB4.8 million and trade and other payables of approximately RMB1.2 million. The Group does not have any borrowings as at 30 June 2014.

**Gearing ratio**

The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 8.6% as at 30 June 2014.

**Capital commitments**

As at 30 June 2014, Haikou Xinyuan Group did not have any significant capital commitments.

**Significant investment, material acquisition and disposals**

Haikou Xinyun Group did not have any significant investments and did not have material acquisition and disposal during the six months ended 30 June 2014.

**Charge on assets**

There was no charge on assets of Haikou Xinyuan Group as at 30 June 2014.

**Remuneration policies and employee information**

As at 30 June 2014, Haikou Xinyuan and its subsidiaries had 119 employees. Total staff costs for the six months ended 30 June 2014 were approximately HK$3.4 million. Haikou Xinyouan Group remunerated its employees based on the job nature, individual performance, working experiences, professional qualification and market trends. Haikou Xinyuan Group also provides various training to the employees periodically.

**Foreign exchange exposure and treasury policies**

Haikou Xinyuan Group had limited foreign currency exposures arising from the transactions, assets and liabilities that are denominated in a currency other than the respective functional currencies of the entities comprising the Haikou Xinyuan Group. Accordingly, no financial instrument for hedging of foreign currency risk was used by Haikou Xinyuan Group during the six months ended 30 June 2014. Haikou Xinyuan Group adopted centralised treasury policies in cash and financial management.

**Contingent liabilities**

As at 30 June 2014, Haikou Xinyuan Group had no material contingent liabilities.

**Segmental information**

There was only one business component in the internal reporting to the executive directors, which was the construction and operation of natural gas refilling stations for vehicles. Haikou Xinyuan Group's assets and capital expenditure were principally attributable to this business component. The principal place of operation of Haikou Xinyuan Group was PRC and all non-current assets of Haikou Xinyuan Group were located in the PRC for the six months ended 30 June 2014.

**Prospect of new business and future plans**

The local government of Hainan Province has announced a series of energy conservation and emission reduction policies in 2014 to cope with the PRC government's energy development strategy in the "Twelfth Five-Year" plan. One of the key policies implemented by the local government of Hainan Province is to constructively develop and promote the use of new and clean energy vehicles, such as compressed natural gas and liquefied natural gas vehicles. The local government of Hainan Province targeted to have (i) the penetration rate of over 65% vehicles using new and clean energy for all public transportation (including motor buses and taxis) in Hainan Province by 2015; (ii) the penetration rate of 100% of taxis and over 85% of motor buses using new and clean energy in Haikou City by 2015; (iii) the penetration rate of over 80% of public transportation in Hainan Province by 2020; and (iv) the penetration rate of 100% of public transportation using clean and new energy in major cities such as Haikou City and Sanya City by 2020.

Haikou Xinyuan Group currently altogether owned 17 natural gas refilling stations in Hainan Province, comprising 13 stations in Haikou City, 3 stations in Sanya City and 1 station in Danzhou City. As advised by the Vendor, Haikou Xinyuan Group is believed to be the largest operator of natural gas refilling stations for vehicles in Haikou City in terms of number of gas stations. One of the stations in Haikou City is currently under the process of applying the relevant operation permit from the government authorities and expected to commence operation in the second quarter of 2015.

The natural gas filling stations owned by Haikou Xinyuan and its subsidiaries achieved an aggregate sales volume of natural gas of approximately 27.3 million cubic metres for the year ended 31 December 2013. The customers of the natural gas refilling stations operated by Haikou Xinyuan Group included private vehicles and public transportation such as motor buses and taxis in Hainan Province.

With these achievements by Haikou Xinyuan Group and the outlook of the natural gas business in Hainan Province, the Directors considered the Target Group (including Haikou Xinyuan Group) will have great opportunities ahead. In the coming years, Target Group, through Haikou Xinyuan Group, will continue to gain market share. The Target Group is intending to increase the sales volume through securing more gas sources.

## I. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

Pursuant to the Acquisition Agreement (as defined in this circular) as described in the announcement of the Company dated 3 November 2014, the Group will acquire the entire equity interests in Well Organising Group Limited (the "Target Company") and its subsidiaries (the "Target Group") and, upon completion of the Reorganisation (as defined in this circular), the Target Group will hold 48% equity interests in the Haikou Xinyuan Group (the "Acquisition").

The unaudited pro forma financial information of the Enlarged Group (the "Unaudited Pro Forma Financial Information") comprising the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2014 has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the financial impact of the Acquisition on the financial position of the Group as if the Acquisition had taken place on 30 June 2014.

The Unaudited Pro Forma Financial Information has been prepared based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2014 as extracted from the published interim report of the Group for the six months ended 30 June 2014; (ii) information about the consolidated assets and liabilities of the Target Group as at 30 June 2014 as extracted from the accountants' report thereon as set out in Appendix II of this circular; and (iii) information about the consolidated assets and liabilities of the Haikou Xinyuan Group as at 30 June 2014 as extracted from the accountants' report thereon as set out in Appendix III of this circular, after making pro forma adjustments as summarised in the accompanying notes that are directly attributable to the Acquisition, factually supportable and clearly identified as to those have/have no continuing effect on the Group.

The Unaudited Pro Forma Financial Information is for illustrative purpose only and is based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 June 2014 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical information of the Group as set out in the published interim report of the Group for the six months ended 30 June 2014, the historical financial information of the Target Group and of the Haikou Xinyuan Group as set out in the accountants' reports and other financial information contained in this circular.

## (A) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

| | Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2014 *HK$'000 (Note 1)* | Audited consolidated statement of assets and liabilities of the Target Group *HK$'000 (Note 2)* | *Notes* | Other pro forma adjustments *HK$'000* | Unaudited pro forma consolidated assets and liabilities of the Enlarged Group *HK$'000* |
|---|---|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | | | |
| **Non-current assets** | | | | | |
| Leasehold land and land use rights | 5,610 | – | | | 5,610 |
| Property, plant and equipment | 128,136 | – | | | 128,136 |
| Intangible assets | 3,500 | – | | | 3,500 |
| Investment in an associate | – | – | *3(ii)* | 153,763 | 153,763 |
| Goodwill | 47,313 | – | | | 47,313 |
| Investment properties | 29,423 | – | | | 29,423 |
| Deposits for acquisition of subsidiaries | 36,773 | – | | | 36,773 |
| Other non-current assets | 426 | – | | | 426 |
| | 251,181 | – | | | 404,944 |
| **Current assets** | | | | | |
| Inventories | 22,570 | – | | | 22,570 |
| Trade and other receivables | 51,521 | – | | | 51,521 |
| Current tax assets | 4,090 | – | | | 4,090 |
| Cash and bank balances | 34,628 | 1 | *3(i)* | (22,000) | 12,629 |
| | 112,809 | 1 | | | 90,810 |
| **Current liabilities** | | | | | |
| Trade and other payables | 38,453 | 2 | *3(i)(b)* | 1,500 | 39,955 |
| Bank borrowings, secured | 14,917 | – | | | 14,917 |
| | 53,370 | 2 | | | 54,872 |
| **Net current assets/(liabilities)** | 59,439 | (1) | | | 35,938 |
| **Total assets less current liabilities** | 310,620 | (1) | | | 440,882 |
| **Non-current liabilities** | | | | | |
| Other borrowings | 6,000 | – | | | 6,000 |
| Convertible Bond | – | – | *3(i)(a)* | 103,379 | 103,379 |
| | 6,000 | – | | | 109,379 |
| **Net assets/(liabilities)** | 304,620 | (1) | | | 331,503 |

## (B) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The unaudited consolidated statement of financial position of the Group as at 30 June 2014 are extracted without adjustment from the published interim report of the Group for the six months ended 30 June 2014.

2. The audited consolidated statement of assets and liabilities of the Target Group as at 30 June 2014 are extracted from the accountants' report on the Target Group set out in Appendix II to the Circular.

3. For the purposes of the Unaudited Pro Forma Financial Information, the following adjustments have been made:

   (i) The adjustment represents the consideration for the Acquisition amounting to approximately HK$165 million which is to be satisfied in the following manners:

| | *HK$'000* |
|---|---|
| Cash | 22,000 |
| Issue of Convertible Bond | 143,000 |
| | 165,000 |

The fair value of the consideration is estimated as follows:

| | *HK$'000* |
|---|---|
| Cash | 22,000 |
| Issue of Convertible Bond *(note (a))* | 130,263 |
| *Add:* transaction costs directly attributable to the Acquisition *(note (b))* | 1,500 |
| | 153,763 |

*Notes:*

(a) The holder of the Convertible Bond may convert the whole or part of the Convertible Bond into shares of the Company (the "Conversion Share") at the conversion price of HK$0.408 per Conversion Share, subject to adjustments. The Convertible Bond shall be measured at fair value on Completion considering both the fair value of the debt component and equity component. The debt component of the Convertible Bond is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the Convertible Bond as a whole and the fair value of the debt component. Any directly attributable transaction costs are allocated to the debt and equity components in proportion to their initial carrying amount.

For the purpose of the Unaudited Pro Forma Financial Information, the fair value of the Convertible Bond is estimated by the Directors with reference to an independent valuation report prepared by Roma Appraisals Limited to be HK$130,263,000, which comprises the fair value of the debt component of HK$103,379,000 and fair value of the equity component of HK$26,884,000 as at 30 June 2014.

Fair value of the Convertible Bond is determined using the binomial option pricing model based on the key assumptions including volatility of the Company's stock price of 50.67% and risk free rate of 0.77%.

Fair value of the debt component of the Convertible Bond is determined by using the discounted cash flow estimates, which represents the present value of the redemption price discounted at a fair market rate of 11.42%, which is based on (i) the risk free rate of 0.77%; (ii) spread of comparable bond of 9.75%;and (iii) country risk premium of 0.90%.

Volatility of stock price is determined based on the historical volatility of the Company's stock price over the past 156 weeks as extracted from Bloomberg. Risk free rate is determined with reference to the market yield of Hong Kong Government Bonds as extracted from Bloomberg with maturity of 3 years as at 30 June 2014, the observable period consistent with maturity of the Convertible Bond. The spread of comparable bond is determined with reference to the option-adjusted spreads of comparable bonds with similar credit rating and maturity of companies principally engaged in publication and oil and gas industries in the United States as extracted from Bloomberg. Country risk premium has been applied to adjust the spread of the US bonds for the Convertible Bond. The country risk premium is the country risk premium of China based on the data from an external valuation database.

Since the fair value of the Convertible Bond to be issued on Completion may be substantially different from its fair value used in preparing the Unaudited Pro Forma Financial Information, the amount of the consideration for the Acquisition and, accordingly, the amount of investment cost to the Company at the Completion may be different from the amounts presented above and the difference may be significant.

(b) The estimated transaction costs for the Acquisition of approximately HK$1,500,000 mainly comprise financial adviser fees, legal fees, and remunerations to valuers and reporting accountants. The estimated transaction costs are capitalised as part of the investment cost. This adjustment has no continuing effect on the Enlarged Group's financial statements in subsequent years.

(ii) the adjustment represents recognition of investment in the Haikou Xinyuan Group as if the Acquisition had been completed on 30 June 2014. Upon completion of the Acquisition, the Haikou Xinyuan Group will become associates of the Group and will be accounted for in the consolidated financial statements of the Enlarged Group by using the equity method of accounting in accordance with Hong Kong Accounting Standard ("HKAS") 28 (2011) "*Investments in Associates and Joint Ventures*" issued by the Hong Kong Institute of Certified Public Accountants.

In the preparation of the Unaudited Pro Forma Financial Information, the Directors has performed an impairment assessment of the investment in the Haikou Xinyuan Group in accordance with HKAS 36 "Impairment of Assets" and the Group's accounting policies, and it is concluded that no impairment on the investment in the Haikou Xinyuan Group is necessary as there is no objective evidence that the equity investment is impaired. The Directors will adopt consistent accounting policies to assess the impairment of carrying amount of interest in the Haikou Xinyuan Group in subsequent reporting periods in accordance with the requirements of HKAS 36, as appropriate.

4. No adjustments have been made to reflect any trading results or other transactions of the Group nor of the Target Group as well as the Haikou Xinyuan Group entered into subsequent to 30 June 2014.

## II. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

*The following is the text of a report from BDO Limited, the independent reporting accountants, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.*

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

23 December 2014

The Board of Directors
Blue Sky Power Holdings Limited
Rooms 1007-8, 10/F
New World Tower I
16-18 Queen's Road Central
Hong Kong

Dear Sirs

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Blue Sky Power Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2014, and related notes as set out on pages V-3 to V-5 of the circular (the "Circular") issued by the Company dated 23 December 2014 (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages V-1 to V-5 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of entire equity interests in the Target Group and of the 48% equity interests in the Haikou Xinyuan Group on the Group's assets and liabilities as at 30 June 2014 as if the transaction had taken place at 30 June 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's published unaudited condensed consolidated financial statements for the six months ended 30 June 2014. Information about the consolidated assets and liabilities of the Target Group and the Haikou Xinyuan Group as at 30 June 2014 have been extracted by the Directors from the accountants' reports as set out in Appendix II and III of the Circular respectively.

**Directors' responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Reporting accountant's responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2014 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**BDO Limited**
*Certified Public Accountants*

Hong Kong

## RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable inquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## DISCLOSURE OF INTERESTS

### Interests of Directors and chief executives of the Company

As at the Latest Practicable Date, the interests of the Directors and chief executives of the Company in the share capital of the Company or any 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 in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

| Name | Number of Shares | Nature of interest | Percentage of shareholding |
|---|---|---|---|
| Mr. Sze Chun Lee | 1,800,000 | Beneficial owner | 0.04% |
| | 196,488,480 | Interest of controlled corporation *(note 1)* | 4.27% |
| Ms. Chung Oi Ling, Stella | 206,340,000 | Interest of controlled corporation *(note 2)* | 4.49% |
| Mr. Cheng Ming Kit | 260,940,000 | Interest of controlled corporation *(note 3)* | 5.68% |
| | 92,925,000 | Beneficial owner | 2.02% |
| Mr. Kwok Shek San | 7,800,000 | Beneficial owner | 0.17% |

*Notes:*

1. China Print Power Limited holds 196,488,480 Shares and is beneficially owned by Mr. Sze Chun Lee as to 43.75% and is deemed to be interested in those 196,488,480 Shares respectively. Mr. Sze Chun Lee is a director of China Print Power Limited.

2. Ms. Chung Oi Ling, Stella is deemed to be interested in 206,340,000 Shares by virtue of her 100% interest in Flame Capital Limited. She is a director of Flame Capital Limited.

3. Mr. Cheng Ming Kit is deemed to be interested in 260,940,000 shares by virtue of his 100% interest in Grand Powerful Group Limited. He is a director of Grand Powerful Group Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have 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 he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

**Interests of experts in the Group**

As at the Latest Practicable Date, the experts named in the paragraph headed "Experts and consents" in this appendix did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**Interests in assets**

Power Printing Products Limited ("**PPPL**") (a subsidiary of the Company) and (Hong Kong) Power Printing Limited ("**HKPPL**") (a company controlled by Mr. Sze Chun Lee) entered into an agreement on 1st November, 2008 whereby HKPPL rents out a vehicle to PPPL at a monthly rent of HK$28,000 for a period of one calendar year and automatically renewed annually. The agreement may be terminated by any party by giving 30 days' notice in writing to the other party.

Save as disclosed above, none of the Directors or the experts named in the paragraph headed "Experts and consents" in this appendix has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Enlarged Group or is proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up.

**Interests in contracts or arrangements**

None of the Directors has any material interests in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group taken as a whole.

**Service contracts**

As at the Latest Practicable Date, there was no existing or proposed service contract between any member of the Group and any Director or proposed Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

**Competing business**

None of the Directors or any of their respective associates has any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

**LITIGATION**

An indirect non-wholly owned subsidiary of the Company, 濟南勝樂福舟有限公司 (Jinan Shengle Fuzhou Company Limited*) was named as the defendant in a civil litigation commenced by 山東圓通管道工程有限公司 (Shandong Yuantong Pipeline Engineering Company Limited*) as the plaintiff on 24 October 2014 for the repayment of a loan of RMB one million together with interest of RMB238,000 and lawyer's fee of RMB24,320. On 2 December 2014, the parties to the civil litigation reached a settlement agreement through mediation whereby the defendant agreed to pay the sum of RMB1,262,320 to the plaintiff on 10 December 2014 to settle the civil litigation, the settlement sum of RMB1,262,320 will be fully satisfied by the defendant with the plaintiff by the court deducting such sum from the fund of the defendant.

Save as disclosed above, neither the Company nor any subsidiary of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any subsidiary of the Enlarged Group as at the Latest Practicable Date.

**EXPERTS AND CONSENTS**

The qualifications of the experts who has given opinions in this circular is as follows:

| **Name** | **Qualification** |
|---|---|
| BDO Limited | Certified Public Accountants, Hong Kong |
| Roma Appraisals Limited | Valuer |

As at the Latest Practicable Date, each of BDO Limited and Roma Appraisals Limited has given and has not withdrawn their written consents to the issue of this circular with copies of their reports or letters (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

**MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years preceding the date of this circular and are or may be material:

1. a placing agreement dated 7 February 2013 between the Company and Get Nice Securities Limited relating to the placing of up to 34,840,000 new Shares at HK$0.98 each;

2. a joint venture agreement dated 20 July 2013 (as supplemental on 27 September 2013 and 20 November 2013) between Joy Trade Limited (a subsidiary of the Company) and 山東禹城華意天然氣開發有限公司 (Shandong Yu Cheng Huayi Natural Gas Development Company Limited*) ("**Huayi**") in relation to the formation of the 德州華鑫天然氣有限公司 (Dezhou Huaxin Natural Gas Company Limited*) (the "**JV**") with registered capital of US$5,705,000 (RMB35,000,000), of which Huayi holds 40% and Joy Trade Limited holds 60% and the relevant rights and obligations of its shareholders;

3. an agreement dated 20 November 2013 between JV and Huayi relating to the leasing of a parcel of land with an area of approximately 24,526 square meters located at 中國山東省禹城市十里望回族鄉101省道西 (101 Shengdaoxi, Shiliwang Huizuxiang, Yu Cheng City, Shandong Province, the PRC*) from Huayi to JV for a term from 20 November 2013 to 30 June 2033 for RMB22,000 per quarter exclusive of utilities and other going charges;

4. an agreement dated 25 November 2013 between the Purchaser and 肖剛明 (Xiao Gangming*) whereby the Purchaser agreed to purchase 6,000 ordinary shares of US$1 each of Focus On Group Limited for a consideration of HK$55,000,000;

5. a placing agreement dated 18 December 2013 between China Galaxy International Securities (Hong Kong) Co., Limited (the "**Placing Agent**") and the Company relating to the placing of a maximum of 41,800,000 new Shares at HK$2.60 each;

6. a joint venture agreement dated 10 March 2014 between the Purchaser and 黃典卿 (Huang Dianqing*) relating to the formation of a joint venture with issued share capital of US$100, of which 黃典卿 (Huang Dianqing*) holds 45% and the Purchaser holds 55% for the possible acquisition of 55% equity interest in 黃岡市環孚天然氣有限公司 (Huanggang City Huanfu Natural Gas Co., Ltd.*);

7. a sale and purchase agreement dated 5 May 2014 (as supplemental on 23 June 2014) among New Topic Limited as vendor, the Purchaser as purchaser and Mr. Lee Tsz Hang and Mr. Lin Zhangli as guarantors for the acquisition of all the issued share capital of Cloud Decade Limited for a consideration of HK$515,432,000;

8. a sale and purchase agreement dated 24 September 2014 between 吳順均 (Wu Shun Jun*) and 朱永帥 (Zhu Yong Shuai*) as vendors and 深圳耀佳德能源有限公司 (Shenzhen Yaojiade Energy Resources Limited*) as purchaser for the acquisition of 75% equity interest in 四川富瑞德能源開發有限公司 (Sichuan Rich Reid Energy Development Co., Ltd.*) for a consideration of RMB17,250,000;

9. a placing agreement dated 30 September 2014 between the Company and Placing Agent whereas the Placing Agent would procure the placees to subscribe for the convertible bonds in the principal amount of up to HK$50,000,000 which shall be converted into 12,690,355 conversion Shares at the initial conversion price of HK$3.94 each;

10. a subscription agreement dated 7 October 2014 between Shine Great Investments Limited ("**Shine Great**") as issuer and the Purchaser as subscriber pursuant to which the Purchaser has subscribed for 1,453,790 new shares of Shine Great for an aggregate subscription consideration of RMB30,000,000 (equivalent to approximately HK$37,800,000);

11. a sale and purchase agreement dated 7 October 2014 between Total Belief Limited as vendor and the Purchaser as purchaser relating to the acquisition of an aggregate of 8,546,210 shares of Shine Great at an aggregated consideration of up to approximately HK$230,045,259;

12. a sale and purchase agreement dated 9 October 2014 between 桂菊明 (Gui Juming*) as vendor and 深圳華威豪能源有限公司 (Shenzhen Warwick Ho Energy Company Limited*) as purchase for the acquisition of 55% of the entire issued share capital of 黃岡市環孚天然氣有限公司 (Huanggang City Central Corfu Natural Gas Company Ltd.*) for a consideration of RMB10,000,000;

13. a sale and purchase agreement dated 1 November 2014 among Huang Minghua as vendor, the Purchaser as purchaser and Fan Dream Ltd. for the acquisition of all the issued share capital of Fan Dream Ltd. for a consideration of RMB6,000,000;

14. a memorandum of understanding dated 25 November 2014 among Waypost Limited ("**Waypost**"), Triple Energy Limited ("**Triple**") and the Company pursuant to which (i) Waypost agreed to subscribe from Triple for 158,000,000 placement shares for a consideration of AUD790,000; (ii) Waypost agreed to lend to CFT Heilongjiang (HK) Limited for a sum of AUD500,000 and (iii) the Company and Triple will enter into a underwriting agreement pursuant to which Waypost will underwrite 208,333,333 placement shares in Triple;

15. a placing agreement dated 9 December 2014 between the Company and Kingston Securities Limited relating to the placing of up to 900,000,000 unlisted transferable warrants at the issue price of HK$0.01, each in registered form conferring rights entitling its holder(s) to subscribe for up to HK$405,000,000 in aggregate in cash for 900,000,000 of new Shares (subject to adjustment) (the "**Warrant Shares**") at the exercise price of HK$0.45 (subject to adjustment) per Warrant Share;

16. 84 sale and purchase agreements entered into between Shenzhen Hong Wheelock and 84 shareholders of Haikou Xinyuan between 11 July 2014 and 21 August 2014 for the acquisition of a total of 8,356,431 shares in Haikou Xinyuan ranging from contract sums of RMB20,000 to RMB1,243,140; and

17. the Acquisition Agreement.

## GENERAL

(a) The company secretary of the Company is Mr. Sit Lak Pun Edmund. Mr. Sit Lak Pun Edmund is a fellow member of the Hong Kong Institute of Certified Public Accountants as well as the Association of Chartered and Certified Accountants in the United Kingdom.

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the headquarters and principal place of business of the Company in Hong Kong is situated at Rooms 1007-8, 10/F, New World Tower I, 16-18 Queen's Road Central, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The Singapore share transfer agent of the Company is Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

(e) The English text of this circular shall prevail over the Chinese text.

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal office of the Company at Rooms 1007-8, 10/F., New World Tower I, 16-18 Queen's Road Central, Hong Kong and the Company's Singapore share transfer agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 during normal business hours from the date of this circular up to and including 5 January 2015:

(a) the Memorandum of Association and the Bye-laws of the Company;

(b) the annual reports of the Company for each of the years ended 31 December 2012 and 2013;

(c) the interim report of the Company for the six months ended 30 June 2014;

(d) the circular(s) of the Company issued pursuant to Chapter 14 and/or Chapter 14A of the Listing Rules since 31 December 2013, being the date of the latest published audited accounts;

(e) the accountant's report on the Target Company, the text of which is set out in Appendix II to this circular;

(f) the accountant's report on Haikou Xinyuan, the text of which is set out in Appendix III to this circular;

(g) the accountants' report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V to this circular;

(h) the report on the valuation of the Convertible Bond prepared by Roma Appraisals Limited referred to in Appendix V to this circular;

(i) the material contracts of the Enlarged Group referred to in the paragraph headed "Material contracts" in this appendix; and

(j) the written consent referred to in the paragraph headed "Experts and consents" in this appendix.

# Blue Sky Power Holdings Limited
# 藍天威力控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Hong Kong Stock Code: 6828)**
**(Singapore Stock Code: UQ7)**

## NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the special general meeting (the "**SGM**") of Blue Sky Power Holdings Limited (the "**Company**") will be held at Level 21, The Center, 99 Queen's Road Central, Central, Hong Kong on Tuesday, 13 January 2015 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

Any shareholder of the Company ("**Shareholder**"), person being a depository agent or a holder of a securities account maintained with The Central Depository (Pte) Limited ("**Depositor**") or proxy who wishes to attend, speak and vote at the SGM may do so via video conferencing at Level 30, Singapore Land Tower, 50 Raffles Place, Singapore 048623. The person attending the said video conference will be able to pose questions to the Company management and to comment on issues on the SGM's agenda. Please be on time to avoid disrupting the SGM as the SGM will commence at the stipulated time

### ORDINARY RESOLUTION

"**THAT**:

(a) the execution of the agreement dated 3 November 2014 (the "**Agreement**") entered into between Mr. Wu Yusheng (the "**Vendor**") and Goldlink Capital Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**"), pursuant to which the Purchaser has conditionally agreed to acquire from the Vendor the entire issued share capital of Well Organising Group Limited for a total consideration of HK$165 million which will be satisfied by cash consideration of HK$22 million and the issuance of convertible bonds (the "**Convertible Bonds**") in an aggregate principle amount of HK$143 million by the Company to the Vendor, and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) the creation and issue by the Company of the Convertible Bonds to the Vendor in accordance with the terms and conditions of the Agreement and the terms and conditions of the Convertible Bonds attached to the Agreement and all contemplated transactions thereunder be and are hereby approved, ratified and confirmed;

(c) the directors (the "**Directors**") of the Company be and they are hereby generally and specifically authorised to allot and issue such number of Shares (the "**Specific Mandate**") up to 350,490,196 new ordinary Shares of the Company at the conversion price of HK$0.408 each which may fall to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds. The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and

(d) the Director are hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivering all agreements, documents and instruments) which are in their opinion, necessary, appropriate, desirable or expedient to implement or to give effect to the terms of the Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are, in the opinion of the Directors, not material to the terms of the Agreement and all transactions contemplated thereunder and are in the interests of the Company."

By order of the Board
**Blue Sky Power Holdings Limited**
**Cheng Ming Kit**
*Chairman*

Hong Kong, 23 December 2014

*Notes:*

1. A Singapore proxy form (for Singapore Shareholders), a Hong Kong proxy form (for Hong Kong Shareholders) or a Depositor proxy form (for Depositors) is enclosed herewith.

2. A Shareholder entitled to attend and vote at the SGM is entitled to appoint no more than two proxies to attend and vote on his/her behalf. A proxy need not be a Shareholder.

3. A Shareholder (other than The Central Depositing (Pte) Limited or a clearing house or its nominee(s)) in Singapore who wishes to appoint a proxy should complete the attached Singapore proxy form. Thereafter, the Singapore proxy form must be lodged at the office of the Company's Singapore share transfer agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for the SGM.

4. A Shareholder in Hong Kong who wishes to appoint a proxy should complete the attached Hong Kong proxy form. Thereafter, the Hong Kong proxy form must be lodged at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the SGM.

5. A Depositor whose name appears in the Depository Register (as defined in Section 130A of the Singapore Companies Act) and who is unable to attend personally but wishes to appoint a nominee to attend and vote on his behalf, or if such Depositor is a corporation, should complete the attached Depositor proxy form and lodge the same at the office of the Company's Singapore share transfer agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, not later than 48 hours before the time appointed for the SGM.

6. Where a Shareholder appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified.

7. The instrument appointing a proxy shall be in writing under the hand of the appointor or by his/her attorney duly authorised in writing. If a Shareholder or Depositor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

8. Completion and return of the Singapore proxy form, the Hong Kong proxy form or the Depositor proxy form will not preclude members from attending and voting in person at the meeting or at any adjournment thereof (as the case may be) should they so wish, and in such event, such proxy form shall be deemed to be revoked.

9. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

*As at the date of this notice, the executive directors of the Company are Mr. Cheng Ming Kit, Mr. Sze Chun Lee, Mr. Hung Tao and Mr. Kwok Shek San; the non-executive Director of the Company is Ms. Chung Oi Ling, Stella; and the independent non-executive directors are Mr. Lim Siang Kai, Mr. Wee Piew and Mr. Ma Arthur On-hing.*