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

(Incorporated in Bermuda with limited liability)



Interim Report 2016

Hong Kong Stock Code: 6828
Singapore Stock Code: UQ7

www.blueskypower.holdings



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CORPORATE PROFILE

Since 2014, the Group has focused on transforming itself into an integrated natural gas provider, distributor and operator, with an emphasis on the mid– to downstream side of the natural gas industry value chain. Our natural gas business encompasses: (i) construction and operation of compressed natural gas ("CNG") and liquefied natural gas ("LNG") refueling stations for vehicles; (ii) construction of natural gas pipelines and operation of city gas projects by providing piped gas; (iii) direct supply of LNG to end-users; and (iv) trading and distribution of CNG and LNG.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Ming Kit *(Co-Chairman of the Board)*
Mr. Hung Tao
Mr. Kwok Shek San *(Chief Financial Officer)*
Mr. Hu Xiao Ming *(Chief Executive Officer)*
Mr. Sze Chun Lee

Non-executive Directors

Ms. Chung Oi Ling, Stella
Mr. Zhi Xiaoye *(Co-Chairman of the Board)*
(appointed on 11 May 2016)

Independent Non-executive Directors

Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Ma Arthur On-hing

NOMINATING COMMITTEE

Mr. Ma Arthur On-hing *(Chairman)*
Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Cheng Ming Kit

REMUNERATION COMMITTEE

Mr. Ma Arthur On-hing *(Chairman)*
Mr. Lim Siang Kai
Mr. Wee Piew

AUDIT COMMITTEE

Mr. Lim Siang Kai *(Chairman)*
Mr. Wee Piew
Mr. Ma Arthur On-hing

AUTHORISED REPRESENTATIVES

Mr. Kwok Shek San
Mr. Sze Chun Lee

COMPANY SECRETARY

Mr. Siew Chun Fai

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

HEADQUARTERS AND PRINCIPAL EXECUTIVE OFFICE

Room 1411, 14th Floor,
New World Tower I,
16-18 Queen's Road Central,
Hong Kong

BERMUDA SHARE REGISTRAR

Codan Services Limited
Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited

COMPANY WEBSITE

www.blueskypower.holdings

STOCK CODES

Hong Kong: 6828
Singapore: UQ7

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016	2015
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	6	**115,296**	90,742
Cost of sales		**(111,121)**	(94,935)
Gross profit/(loss)		**4,175**	(4,193)
Other gains and losses	7	**61,360**	968
Other income	8	**2,327**	667
Selling and distribution costs		**(365)**	(2,135)
Administrative expenses		**(66,325)**	(50,712)
Other expenses		**(4,800)**	(3,577)
Finance costs	9	**(36,954)**	(11,858)
Share of profit of associates		**1,683**	55
Share of loss of joint ventures		**(847)**	–
Gain on deemed partial disposal of an associate		**7,783**	–
Gain recognised on disposal of a subsidiary		**20,081**	59,913
Loss before income tax	10	**(11,882)**	(10,872)
Income tax credit	11	**2,501**	2,428
Loss for the period		**(9,381)**	(8,444)
Other comprehensive expense for the period:			
Item that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of foreign operations		**(5,336)**	(1,566)
Total comprehensive expense for the period		**(14,717)**	(10,010)
Profit/(loss) for the period attributable to:			
Owners of the Company		**2,208**	(3,457)
Non-controlling interests		**(11,589)**	(4,987)
		(9,381)	(8,444)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**558**	(5,348)
Non-controlling interests		**(15,275)**	(4,662)
		(14,717)	(10,010)
Earning/(loss) per share	13		
– Basic		**HK0.03 cents**	(HK0.07 cents)
– Diluted		**HK0.03 cents**	(HK0.07 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	**30 June 2016** ***HK$'000*** **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Non-current assets			
Prepaid lease payments		**21,315**	22,204
Property, plant and equipment	14	**283,669**	295,549
Investment properties		**25,443**	26,820
Intangible assets		**554,072**	564,357
Goodwill		**501,470**	501,470
Interests in associates		**377,762**	224,169
Interests in joint ventures		**109,408**	92,405
Deposits for acquisition of subsidiaries		**328,687**	169,169
Deposits for acquisition of property, plant and equipment		**89,400**	82,177
Prepayment		**14,028**	16,557
Available for sales investment		**104,671**	104,671
Other non-current assets		**500**	545
		2,410,425	2,100,093
Current assets			
Prepaid lease payments		**716**	820
Inventories		**1,450**	1,763
Trade and other receivables	15	**170,889**	134,651
Amounts due from non-controlling shareholders of subsidiaries		**16,343**	18,509
Amounts due from joint ventures		**59,797**	51,090
Tax recoverable		**1,590**	1,590
Convertible note receivable		**30,000**	–
Promissory notes receivables		**33,000**	–
Financial asset at fair value through profit or loss		**23,786**	–
Held for trading investment		**40,000**	–
Cash and bank balances		**1,033,279**	102,737
		1,410,850	311,160
Current liabilities			
Trade and other payables	16	**64,566**	77,206
Bank borrowings	17	**–**	3,694
Obligation under finance leases		**9,100**	5,355
Convertible bonds		**96,444**	91,157
Embedded derivatives		**–**	3,394
Amount due to non-controlling shareholders of a subsidiary		**–**	14,062
Amount due to an associate		**30,791**	31,700
		200,901	226,568
Net current assets		**1,209,949**	84,592
Total assets less current liabilities		**3,620,374**	2,184,685

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2016

	Notes	**30 June 2016 *HK$'000* (Unaudited)**	31 December 2015 *HK$'000* (Audited)
Capital and reserves			
Share capital	18	**465,751**	335,480
Reserves		**2,262,071**	1,200,842
Equity attributable to owners of the Company		**2,727,822**	1,536,322
Non-controlling interests		**178,147**	193,423
Total equity		**2,905,969**	1,729,745
Non-current liabilities			
Obligations under finance leases		**21,737**	9,034
Other borrowings	17	**193,000**	182,500
Convertible bonds		**364,458**	127,488
Deferred tax liabilities		**135,210**	135,918
		714,405	454,940
		3,620,374	2,184,685

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Equity attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Convertible note equity reserve HK$'000	Merger reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2015 (Audited)	256,223	629,990	5,552	813	(43,048)	–	28,360	(26,670)	851,220	69,136	920,356
Loss for the period	–	–	–	–	–	–	–	(3,457)	(3,457)	(4,987)	(8,444)
Other comprehensive income/(expense)											
Exchange (loss)/gain on translation of foreign operations	–	–	–	–	–	–	(1,891)	–	(1,891)	325	(1,566)
Total comprehensive expenses for the period	–	–	–	–	–	–	(1,891)	(3,457)	(5,348)	(4,662)	(10,010)
Issue of shares by way of placing	14,438	93,563	–	–	–	–	–	–	108,001	–	108,001
Transaction cost attributable to issue of shares	–	(2,740)	–	–	–	–	–	–	(2,740)	–	(2,740)
Issue of convertible note for acquisition of subsidiaries	–	–	–	91,699	–	–	–	–	91,699	–	91,699
Issue of shares upon conversion of convertible note	15,589	101,918	–	(35,890)	–	–	–	–	81,617	–	81,617
Recognition of equity-settled share-based payments	–	–	6,822	–	–	–	–	–	6,822	–	6,822
Transfer to accumulated losses upon forfeiture of share options	–	–	(756)	–	–	–	–	756	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	132,190	132,190
Acquisition of additional interest in a subsidiary	–	–	–	–	–	295	–	–	295	(1,795)	(1,500)
Capital injection by non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	3,200	3,200
Balance at 30 June 2015 (Unaudited)	286,250	822,731	11,618	56,622	(43,048)	295	26,469	(29,371)	1,131,566	198,069	1,329,635

	Equity attributable to owners of the Company										
	Share capital HK$'000	**Share premium HK$'000**	**Share option reserve HK$'000**	**Convertible note equity reserve HK$'000**	**Merger reserve HK$'000**	**Other reserve HK$'000**	**Translation reserve HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total HK$'000**
Balance at 1 January 2016 (Audited)	**335,480**	**1,131,382**	**12,518**	**84,273**	**(43,048)**	**(1,205)**	**25,364**	**(8,442)**	**1,536,322**	**193,422**	**1,729,744**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,208**	**2,208**	**(11,589)**	**(9,381)**
Other comprehensive expenses											
Exchange loss on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(1,650)**	**–**	**(1,650)**	**(3,686)**	**(5,336)**
Total comprehensive income/ (expenses) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(1,650)**	**2,208**	**558**	**(15,275)**	**(14,717)**
Issue of shares by way of placing	**118,556**	**851,444**	**–**	**–**	**–**	**–**	**–**	**–**	**970,000**	**–**	**970,000**
Transaction cost attributable to issue of shares	**–**	**(2,514)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,514)**	**–**	**(2,514)**
Issue of convertible note	**–**	**–**	**–**	**125,919**	**–**	**–**	**–**	**–**	**125,919**	**–**	**125,919**
Transaction cost attributable to issue of convertible note	**–**	**–**	**–**	**(3,873)**	**–**	**–**	**–**	**–**	**(3,873)**	**–**	**(3,873)**
Issue of shares for acquisition of subsidiaries	**8,708**	**67,292**	**–**	**–**	**–**	**–**	**–**	**–**	**76,000**	**–**	**76,000**
Issue of shares upon conversion of convertible note	**2,513**	**15,488**	**–**	**–**	**–**	**–**	**–**	**–**	**18,001**	**–**	**18,001**
Issue of shares upon conversion of share options	**494**	**2,173**	**–**	**–**	**–**	**–**	**–**	**–**	**2,667**	**–**	**2,667**
Recognition of equity-settled share-based payments	**–**	**–**	**4,742**	**–**	**–**	**–**	**–**	**–**	**4,742**	**–**	**4,742**
Transfer to accumulated losses upon forfeiture of share options	**–**	**–**	**(305)**	**–**	**–**	**–**	**–**	**305**	**–**	**–**	**–**
Balance at 30 June 2016 (Unaudited)	**465,751**	**2,065,265**	**16,955**	**206,319**	**(43,048)**	**(1,205)**	**23,714**	**(5,929)**	**2,727,822**	**178,147**	**2,905,969**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(63,312)**	(51,515)
Net cash used in investing activities	**(357,409)**	(73,191)
Cash flow from financing activities		
Borrowing raised, net of transaction costs	**28,826**	100,202
Repayment of bank borrowings	**(5,572)**	(11,472)
Other financing cash flows (net)	**1,331,281**	80,967
Net cash from financing activities	**1,354,535**	169,697
Net increase in cash and cash equivalents	**933,814**	44,991
Cash and cash equivalents at the beginning of period	**102,734**	18,613
Effect of foreign exchange rate changes	**(3,269)**	(247)
Cash and cash equivalents at the end of period	**1,033,279**	63,357

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated and domiciled in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business is Room 1411, 14/F., New World Tower I, 16-18 Queen's Road Central, Hong Kong. The Company's shares are primary listed on The Stock Exchange of Hong Kong Limited ("SEHK") and secondary listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in (i) sales and distribution of natural gas and other related products; (ii) sales of book products and specialised products.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and all values are rounded to the nearest thousands ("HK$'000") except when otherwise indicated.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 – Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosures requirements of Appendix 16 to the Rules Governing the Listing of Securities on SEHK ("Listing Rules").

3. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are mandatorily effective for the accounting period beginning on or after 1 January 2016.

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. ACCOUNTING POLICIES (Continued)

The Group has adopted the following accounting policy for the first time in the interim period for the six months ended 30 June 2016:

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item.

4. SEASONALITY OF OPERATIONS

Seasonal fluctuation exists in our natural gas business. The demand is generally higher in the second half of the year due to the winter heating consumption. The directors expect such seasonal fluctuation of the Group's sales to continue in the forseeable future. Such seasonal fluctuation may have favourable effect on the Group's revenue and cash flow position.

Seasonal fluctuation exists in our sales of book and specialised products and in the overall printing industry. The demand is generally higher in the second half of the year when our customers will normally place more orders to us so as to meet their greater sales demand during Christmas and New Year holidays.

Our interim results for the first half of the year may not serve as an indication of our results of operations for the entire financial year.

5. SEGMENT REPORTING

Information reported to the executive Directors of the Company, being the chief operating decision makers ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on nature of the goods being sold. These revenue streams and the basis of the internal reports about components of the Group are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The above reportable and operating segments were based on the product type. For the six months ended 30 June 2016, the Group is organised into the following operating and reportable segments:

1. Sales and distribution of natural gas and other related products – This segment derives its revenue from operations of compressed natural gas ("CNG") or liquefied natural gas ("LNG") refuelling stations, trading of CNG or LNG, construction of natural gas connection pipelines and supply of piped gas in the People's Republic of China (the "PRC").

2. Sales of book and specialised products – Provision of full suite of services from pre-press to printing to finishing/binding services and production of custom-made and value-added printing products.

Segment revenue below represents revenue from external customers. There were no inter-segment sales for the six months ended 30 June 2016 and 2015.

Accordingly, the segment information reported below has been restated to conform with the current year presentation.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

For the six months ended 30 June 2016

	Sales of natural gas and other related products *HK$'000* (Unaudited)	Sales of book and specialised products *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
Segment revenue	**115,296**	**–**	**115,296**
Segment profit/(loss)	**46,379**	**(2,304)**	**44,075**
Other income and other gains and losses			**27,073**
Central corporate expenses			**(46,176)**
Finance costs			**(36,954)**
Share of profit of certain associate			**100**
Loss before income tax			**(11,882)**

5. SEGMENT REPORTING (Continued)

Segment revenue and results (Continued)

Segment profit from the sales of natural gas and other related products for the six months ended 30 June 2016 consists of a gain recognised on disposal of a subsidiary, investment income and gain on deemed partial disposal of an associate of HK$20,081,000, HK$33,811,000 and HK$7,783,000 respectively:

(i) the disposal of 25% equity interests in 武漢正威力燃氣有限公司 at a cash consideration of RMB7,500,000 (the "Wuhan Disposal") to an independent third party. On the same date, the Company and the other two independent third parties entered into joint venture agreement which resulted in a loss of control of 武漢正威力燃氣有限公司. Accordingly, Wuhan Disposal was treated as deemed disposal of 75% owned subsidiary at a deemed fair value of RMB22,500,000, resulting in a deemed gain of disposal of subsidiaries of HK$20.1 million;

(ii) the investment income of HK$33.8 million arising from the disposal of Lasermoon Limited to Winto Group (Holdings) Limited (SEHK: 8238) at a consideration of HK$35,000,000. Lasermoon Limited through its subsidiaries is engaged in the operation of e-commerce trading platform of LNG in the PRC. Winto Group (Holdings) Limited is an independent third party, except that the Company's co-chairman and executive director, Mr. Cheng Ming Kit is currently holding 6.91% equity interest in Winto Group (Holdings) Limited; and

(iii) gain on deemed partial disposal of an associate, Triple Energy Limited. During six months ended 30 June 2016, Triple Energy Limited issued certain new shares and resulted in deemed partial disposal of its equity interests by the Company, which the gain from the deemed partial disposal amounted to HK$7.8 million.

For the six months ended 30 June 2015

	Sales of natural gas and other related products *HK$'000* (Unaudited)	Sales of book and specialised products *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
Segment revenue	42,210	48,532	90,742
Segment profit/(loss)	40,760	(9,215)	31,545
Other income and other gains and losses			1,635
Central corporate expenses			(32,194)
Finance costs			(11,858)
Loss before income tax			(10,872)

5. SEGMENT REPORTING (Continued)

Segment revenue and results (Continued)

Segment profit from the sales of natural gas and other related products for the six months ended 30 June 2015 consists of a gain recognised on disposal of subsidiaries of HK$59,913,000. The amount represented the gain on disposal of 15% interest in Brightjet Global Limited to an independent third party, and loss of control on Brightjet Global Limited as a result of a joint venture agreement entered into between the Company and two independent parties.

Segment profit/(loss) represents the profit earned/loss from by each segment without allocation of other income and certain other gains and losses (other than impairment losses on trade receivables and investment income from the disposal of Lasermoon Limited which were included in segment profit/(loss), central corporate expenses (including but not limited to directors' emoluments), finance costs, share of profit of certain associate and income tax credit. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

Segment assets

	30 June 2016 ***HK$'000*** **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Sales and distribution of natural gas and other related products	**2,260,212**	1,954,547
Sales of book and specialised products	**131,368**	161,293
Total segment assets	**2,391,580**	2,115,840
Certain interests in an associate	**30,786**	30,686
Prepayment	**14,028**	16,557
Available-for-sales investment	**104,671**	104,671
Cash and bank balances	**1,033,279**	102,737
Property, plant and equipment for corporate use	**3,600**	4,269
Convertible note receivables	**30,000**	–
Promissory notes receivables	**33,000**	–
Financial asset at fair value through profit or loss	**23,786**	–
Held for trading investment	**40,000**	–
Certain other receivables	**116,545**	36,493
Consolidated assets	**3,821,275**	2,411,253

5. SEGMENT REPORTING (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	30 June 2016 *HK$'000* (Unaudited)	31 December 2015 *HK$'000* (Audited)
Sales and distribution of natural gas and other related products	**251,643**	253,988
Sales of book and specialised products	**2,425**	19,061
Total segment liabilities	**254,068**	273,049
Convertible bonds	**460,902**	218,645
Other borrowings	**193,000**	182,500
Embedded derivatives	**–**	3,394
Certain obligation under finance leases	**858**	1,181
Certain other payables	**6,478**	2,739
Consolidated liabilities	**915,306**	681,508

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating and reportable segments (other than prepayment, available-for-sales investment, certain interests in an associate, cash and bank balances, certain other receivables, convertible note receivable investment, promissory notes receivables, financial assets at fair value through profit or loss, held for trading investment and property, plant and equipment for corporate use); and

- all liabilities are allocated to operating and reportable segments (other than other borrowings, convertible bonds, embedded derivatives, certain obligation under finance leases, and certain other payables).

The Group has allocated goodwill to the relevant segments as segment assets.

6. REVENUE

An analysis of the revenue, which is also the Group's turnover as follows:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales and distribution of natural gas and other related products	**115,296**	42,210
Sales of book and specialised products	**–**	48,532
	115,296	90,742

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net exchange (losses)/gains	**(350)**	72
Net losses on disposals of property, plant and equipment	**–**	(143)
Fair value change in financial asset at fair value through profit or loss	**17,502**	–
Investment income	**38,011**	–
Reversals of impairment losses on trade receivables	**2,803**	–
Change in fair value of embedded derivatives	**3,394**	1,039
	61,360	968

8. OTHER INCOME

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income	**1,155**	29
Rental income	**1,044**	609
Sundry income	**128**	29
	2,327	667

9. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Finance charges on obligations under finance lease	**824**	9
Interests on other borrowings wholly repayable within five years	**5,678**	707
Interests on other borrowings not wholly repayable within five years	**3,651**	2,744
Interest on convertible notes	**–**	6,982
Interest on convertible bonds*	**26,801**	1,416
	36,954	11,858

* The convertible bonds issuance summary table is set out in page 33.

10. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before income tax is arrived at after charging:		
Amortisation of prepaid lease payments	**334**	207
Amortisation of intangible assets	**10,339**	9,712
Cost of inventories recognised as expense*	**111,121**	94,935
Depreciation of property, plant and equipment	**10,053**	5,993
Depreciation of investment properties	**110**	535
Operating lease charges		
– Premises	**3,531**	1,485
– Motor vehicles	**168**	168

* Included in cost of inventories are depreciation of property, plant and equipment, amortisation of intangible assets and employee benefit expenses of HK$11,543,000 (2015:HK$27,718,000), which have also been included in the respective total amounts as disclosed above.

11. INCOME TAX CREDIT

No Hong Kong profits tax has been provided for the six months ended 30 June 2016 as the Company and its subsidiaries did not derive any assessable profits in Hong Kong for that period.

In accordance with the relevant PRC enterprise income tax laws, regulations and implementation guidance note, subsidiaries in Mainland China are subject to the PRC enterprise income tax rate at 25% (six months ended 30 June 2015: 25%).

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC corporate income tax	**(84)**	–
Deferred tax	**2,585**	2,428
Total income tax credit	**2,501**	2,428

12. DIVIDEND

The Board did not recommend a payment of interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

13. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) for the period attributable to the owners of the Company for the purposes of basic and diluted earnings/(loss) per share	**2,208**	(3,457)

	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**6,789,540,422**	4,907,041,297
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**71,154,150**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**6,860,694,572**	4,907,041,297

13. EARNINGS/(LOSS) PER SHARE (Continued)

The computation of diluted earnings/(loss) per share does not assume the conversion of the Company's outstanding convertible bonds and convertible notes as their exercise would result in an increase in earnings per share or a decrease in loss per share.

The computation of diluted loss per share for the period ended 30 June 2015, did not assume the conversion of the Company's outstanding share options as their exercise would result in a decrease in loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group has an addition of property, plant and equipment with a cost of HK$6,389,000 (six months ended 30 June 2015: HK$7,770,000). During the six months ended 30 June 2015, the property, plant and equipment acquired on acquisition of subsidiaries amounted to HK$54,250,000.

15. TRADE AND OTHER RECEIVABLES

	Notes	**30 June 2016 *HK$'000* (Unaudited)**	31 December 2015 *HK$'000* (Audited)
Trade receivables		**101,901**	61,622
Less: Impairment losses		**(1,166)**	(4,063)
Trade receivables – net	(a), (b)	**100,735**	57,559
Prepayments and other receivables	(c)	**70,154**	77,092
		170,889	134,651

(a) The Group generally allows a credit period of 30 to 120 days (2015: 30 to 120 days) to its trade customers for the sales of book products and specialised products and a credit period of 30 to 90 days to its trade customers for the sales and distribution of natural gas and other related products. Before accepting any new customers, the Group performs credit check to assess the potential customer's credit quality and defines credit limits by customers. Based on invoice dates, which approximate the respective revenue recognition dates, ageing analysis of trade receivables (net of impairment losses) was as follows:

	30 June 2016 *HK$'000* (Unaudited)	31 December 2015 *HK$'000* (Audited)
0 – 90 days	**88,257**	48,482
91 – 120 days	**–**	8,622
121 – 180 days	**1,424**	25
181 – 365 days	**8,818**	–
Over 365 days	**2,236**	430
	100,735	57,559

15. TRADE AND OTHER RECEIVABLES (Continued)

(b) Ageing analysis of trade receivables that were not impaired, based on due date, is as follows:

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**85,829**	48,482
0 – 90 days past due	**2,428**	8,647
91 – 180 days past due	**1,424**	–
181 – 365 days past due	**11,054**	430
	100,735	57,559

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, 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 the balances are still considered to be fully recoverable. The Group did not hold any collateral over these balances.

(c) The balance as at 30 June 2016, included (i) a loan receivable of approximately HK$22,659,000 (31 December 2015: HK$18,699,000) denominated in Renminbi ("RMB"). The loan receivable is short term loan advance to an independent third party, which is unsecured, interest bearing at 12% per annum and repayable within one year. The Group reviewed the recoverable amount of the loan receivable at the end of the reporting period and considered no impairment losses are required; and (ii) the consideration receivable arising from the disposal of 25% equity interests in Wuhan project and 100% equity interests in Lasermoon Limited which amounted to HK$8,925,000 and HK$2,000,000 respectively, (31 December 2015: consideration receivable of HK$19,000,000 arising from the Sichuan project).

16. TRADE AND OTHER PAYABLES

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**27,867**	17,495
Accrued charges and other creditors	**21,224**	18,858
Construction cost payables	**13,105**	38,465
Trade deposits received	**2,370**	2,388
	64,566	77,206

The Group was granted by its suppliers credit periods ranging from 30 to 120 days (2015: 30 to 120 days). Based on invoice dates, ageing analysis of trade payables was as follows:

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 90 days	**24,236**	7,602
91 – 180 days	**–**	5,342
181 – 365 days	**3,497**	–
Over 365 days	**134**	4,551
	27,867	17,495

17. BANK AND OTHER BORROWINGS

	30 June 2016 ***HK$'000*** **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Trust receipt loans	**–**	3,694
Corporate bonds *(note)*	**193,000**	182,500
	193,000	186,194
Analysed as:		
Secured	**–**	3,694
Unsecured	**193,000**	182,500
	193,000	186,194
Carrying amount repayable*:		
Within one year	**–**	3,694
More than one year, but not exceeding two years	**–**	–
More than two years, but not exceeding five years	**92,500**	106,500
More than five years	**100,500**	76,000
	193,000	186,194
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	**–**	(3,694)
Amounts shown under non-current liabilities	**193,000**	182,500
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	**–**	3,694

* *The amounts due are based on scheduled repayment dates set out in the loan agreements.*

Note: The corporate bonds issued by the Company during the period amounted to HK$10,500,000 (2015: HK$161,000,000). The bonds are unsecured and have maturity of five to eight years (2015: five to eight years) until 2023 (2015: 2023) and carry interest at 5% to 8% (2015: 5% to 8%) per annum. Transaction costs of approximately HK$1,450,000 (2015: HK$18,508,000) have been incurred and the corporate bonds carry effective interest at 7.6% (2015: 7.7%) per annum.

18. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.055 each		
Authorised share capital		
At 31 December 2015 and 30 June 2016	91,000,000,000	5,005,000
Issued and fully paid share capital		
At 1 January 2015 (Audited)	4,658,605,900	256,223
Issue of shares by way of placing *(note i)*	262,500,000	14,438
Issue of shares upon conversion of convertible notes and convertible bonds *(note ii)*	643,354,980	35,385
Issue of shares for acquisition of subsidiaries *(note iii)*	531,679,993	29,242
Issue of shares upon exercise of share options *(note iv)*	3,500,000	192
At 31 December 2015 (Audited)	6,099,640,873	335,480
Issue of shares by way of placing *(note v)*	2,155,555,555	118,556
Issue of shares upon conversion of convertible notes and convertible bonds *(note vi)*	45,685,276	2,513
Issue of shares for acquisition of subsidiaries *(note vii)*	158,333,333	8,708
Issue of shares upon exercise of share options *(note viii)*	8,990,560	494
At 30 June 2016 (Unaudited)	8,468,205,597	465,751

Notes:

(i) In March 2015 and June 2015, the Company issued, by way of placing, 162,500,000 ordinary shares and 100,000,000 ordinary shares of HK$0.055 each at the issue price of HK$0.40 and HK$0.43 respectively and the net proceeds (after legal and professional costs) from such issues amounted to HK$63,355,000 and HK$41,905,000 respectively. An amount of HK$54,417,000 and HK$36,406,000 in excess of par value were credited to share premium.

(ii) During the year ended 31 December 2015, a total of 643,354,980 new ordinary shares of the Company of HK$0.055 each were issued upon the conversion of the convertible notes and convertible bonds of the Company.

(iii) On 15 September 2015, 23 October 2015, and 26 October 2015, the Company issued 251,250,000, 24,019,737 and 256,410,256 new ordinary shares of HK$0.055 each at the issue price of HK$0.40, HK$0.384 and HK$0.394 per share, respectively, as part of the consideration for the acquisition of subsidiaries.

18. SHARE CAPITAL (Continued)

Notes: (Continued)

(iv) During the year ended 31 December 2015, a total of 3,500,000 new ordinary shares of the Company of HK$0.055 each were issued upon the conversion of the share options of the Company.

(v) On 11 May 2016, the Company issued, by way of placing, 2,155,555,555 ordinary shares of HK$0.055 each at the issue price of HK$0.45 and the net proceeds (after legal and professional costs) from such issues amounted to HK$967,487,000. An amount of HK$848,931,000 in excess of par value were credited to share premium.

(vi) During the period ended 30 June 2016, a total of 45,685,276 new ordinary shares of the Company of HK$0.055 each were issued upon the conversion of the convertible notes and convertible bonds of the Company.

(vii) On 20 April 2016, the Company issued 158,333,333 new ordinary shares of HK$0.055 each at the issue price of HK$0.48 per share, as part of the consideration for the acquisition of subsidiaries.

(viii) During the period ended 30 June 2016, a total of 8,990,560 new ordinary shares of the Company of HK$0.055 each were issued upon the conversion of the share options of the Company.

All shares issued rank pari passu with the existing shares of the Company in all respects.

19. COMMITMENTS

Capital Commitments

At the reporting date, commitments in respect of capital expenditure are as follows:

	30 June 2016 ***HK$'000*** **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Contracted but not provided for:		
– property, plant and equipment	**6,473**	41,239
– acquisition of subsidiaries	**152,000**	96,000
	158,473	137,239

19. COMMITMENTS (Continued)

Operating lease commitments as lessee

At the reporting date, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:

	30 June 2016 ***HK$'000*** **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Within one year	**6,843**	3,815
In the second to fifth year inclusive	**6,472**	6,583
More than five years	**–**	4,121
	13,315	14,519

The Group leases its office premises under an operating lease. The lease runs for an initial period of two years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and the landlord. The lease does not include contingent rentals.

Operating lease commitments as lessor

At the reporting date, the total future minimum lease receipts in respect of land and buildings under non-cancellable operating leases are as follows:

	30 June 2016 ***HK$'000*** **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Within one year	**694**	638
In the second to fifth year inclusive	**52**	319
	746	957

The Group leases its investment properties under operating leases. The leases run for an initial period of 5 years and require the tenants to pay security deposits. The leases do not include contingent rentals.

20. RELATED PARTY TRANSACTIONS

In addition to the transactions or information disclosed elsewhere in these unaudited condensed consolidated interim financial statements, the Group entered into the following material transactions with related parties during the period:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Key management personnel		
Short-term employee benefits	**8,105**	4,223
Post-employment benefits	**110**	111
Share based payments	**2,886**	4,507
Key management personnel remuneration	**11,101**	8,841
A company in which certain directors of the Company have controlling interest		
Rental expenses	**–**	168

Note: During the year ended 31 December 2015, the Group entered into finance lease agreement with one of the associates.

Operator agreement entered into with a non-controlling shareholder of a subsidiary

Upon completion of the acquisition of Focus On Group Limited ("Focus On") and prior to obtaining the approval for the extended business scope and other relevant approvals in respect of the operation of the sales and distribution of natural gas ("Gas Business") by 德州華鑫天然氣有限公司 ("德州華鑫"), a non-wholly owned subsidiary of Focus On, Shandong Yu Cheng Huayi Natural Gas Development Company Limited ("Huayi"), being the non-controlling shareholder of 德州華鑫, which has a business scope involving processing, storage and sales of CNG and LNG, would operate and manage the Gas Business on behalf of 德州華鑫 at nil consideration under the operator agreement entered into between 德州華鑫 and Huayi ("Operator Agreement"). All profits generated from the Gas Business as operated and managed by Huayi during the term of the Operator Agreement would belong to 德州華鑫 under the Operator Agreement. 德州華鑫 will terminate the Operator Agreement once it has obtained all relevant approvals and is ready to engage in the Gas Business.

21. PLEDGE OF ASSETS

As at 30 June 2016, certain plant and equipment and motor vehicle which amounted to HK$25,901,000 (31 December 2015: HK$13,339,000) were held under finance leases. Moreover, certain property, plant and equipment and investment properties of the Group with book value of HK$49,463,000 (31 December 2015: Nil) were pledged to a bank for banking facilities. As at 30 June 2016, the Group has not utilised any of such banking facilities.

22. ACQUISITION OF SUBSIDIARIES

Acquisition of assets through acquisition of subsidiaries

During the six months ended 30 June 2016, the Group acquired Fox Smart Limited ("**Fox Smart**") which are holdings operating rights for the sales and distribution of natural gas and other related products in the PRC. The Directors of the Company are of the opinion that the subsidiary acquired does not constitute a business as defined in HKFRS 3, therefore, the acquisitions have been accounted for as acquisition of assets rather than business combination. The primary reason for the below acquisition was for the expansion of the Group's business and to increase returns to its shareholders.

	Date of acquisition	Percentage of registered capital acquired	Purchase consideration
			HK$'000
Fox Smart	April 2016	100%	136,000

Details of fair value of net identifiable assets acquired and purchase consideration are as follows:

	Fox Smart
	HK$'000
Fair value of net assets acquired:	
Interest in an associate	136,649
Cash and bank balances	4
Other payables	(653)
	136,000
Fair value of the purchase consideration:	
– settled by cash	20,000
– settled by issue of promissory note	40,000
– settled by issue of shares	76,000
Total consideration	136,000

Net cash outflow arising on acquisitions:

	Fox Smart
	HK$'000
Purchase cash consideration	20,000
Bank balances and cash acquired	(4)
	19,996

23. DISPOSAL OF A SUBSIDIARY

The Group disposed of 25% equity interests in 武漢正威力燃氣有限公司 at a consideration of RMB7,500,000. The net (liabilities) assets of 武漢正威力燃氣有限公司 at the respective dates of disposal were as follows:

Net assets of 武漢正威力燃氣有限公司 disposed of	*HK$'000*
Other receivables	41
Cash and bank balances	1,745
Amount due from holding company	7,140
Tax payables	(1)
	8,925
Gain on disposal of 武漢正威力燃氣有限公司	
Cash consideration	8,925
Fair value of the retained 75% equity interests of 武漢正威力燃氣有限公司	26,775
Non-controlling interests	(6,694)
Less: Net assets disposed of	(8,925)
	20,081
Net cash inflow arising on disposal of 武漢正威力燃氣有限公司	
Cash consideration	8,925
Less: Cash consideration receivables	(8,925)
Less: Cash and bank balances disposed of	(1,745)
	(1,745)

According to the shareholders' agreement of 武漢正威力燃氣有限公司, the Group have joint control with the other shareholders. The fair values of the Group's retained equity interests in 武漢正威力燃氣有限公司 were approximately HK$26,775,000, have been regarded as cost of interests in joint ventures.

24. SUBSEQUENT EVENTS

(i) On 20 July 2016, the Company granted share options to certain eligible persons to subscribe for a total of 40,375,000 ordinary shares of the Company with the exercise price of HK$0.66 per share. The management of the Group is in the process of accessing the fair value of the share options.

(ii) On 18 July 2016, the Company is able to impose its controlling power over 海口鑫元天然氣技術股份有限公司 ("Haikou Xinyuan") on the relevant major business and financial activities by way of securing the majority of the board seats of Haikou Xinyuan, and Haikou Xinyuan will be accounted for as a non-wholly owned subsidiary of the Company.

(iii) On 7 October 2014, Goldlink Capital Limited ("Goldlink"), a wholly owned subsidiary of the Company entered into a conditional subscription agreement and a conditional sale and purchase agreement with Shine Great Investments Limited ("Shine Great") and Total Belief Limited ("Total Belief") respectively, both are wholly owned subsidiaries of New Times Energy Corporation Limited, pursuant to which the Group agreed to (1) subscribe for approximately 14.54% of the issued share capital of Shine Great as enlarged by the subscription shares ("Enlarged Share Capital") for cash consideration of RMB30,000,000 (equivalent to approximately HK$37,800,000) (the "Subscription"); and (2) acquire an aggregate of 8,546,210 Shine Great Shares, representing approximately 85.46% of the Enlarged Share Capital, which comprises of (i) 3,646,210 Shine Great Shares, representing 36.46% of the Enlarged Share Capital ("Transaction I"); and (ii) 4,900,000 Shine Great Shares, representing 49% of the Enlarged Share Capital ("Transaction II") for an aggregate consideration of HK$230,045,259 which is to be satisfied by (a) cash of HK$17,000,000 and by (b) issuing convertible bonds in the principal amount of up to HK$213,045,259. Shine Great and its subsidiaries principally engaged in sales and distribution of natural gas and other related products. Details are set out in the circular dated 2 January 2015. The Subscription and Transaction I were completed on 24 February 2015.

In consideration of the revenue guarantee and profit guarantee for Transaction II provided by Total Belief pursuant to the sale and purchase agreement, as the shortfall between the revenue guarantee and the actual revenue and the profit guarantee and the actual profit for the financial year ended 31 December 2015 were over 20%, a 2% reduction over the acquisition consideration for Transaction II shall be adjusted. The final acquisition consideration for Transaction II paid by Goldlink to Total Belief was reduced from HK$135,240,151 to HK$132,535,348 which was settled by the issuance of convertible bonds by the Company. The Transaction II was completed on 4 July 2016.

REVIEW OF OPERATIONS

During the six months ended 30 June 2016 ("HY2016"), the Group recorded a total revenue of HK$115.3 million, attributable entirely to the natural gas business. This represents a revenue growth of 173.1% year-on-year for the natural gas segment, and the Group's revenue growth of 27.1% year-on-year. The Group has successfully fully shifted away from the printing business and is solely focused on operating and investing in the natural gas business. Hence, all revenue from the period under review was derived from the sales of natural gas and other related products.

Natural gas segment profit increased from HK$40.8 million for the six months ended 30 June 2015 ("HY2015") to HK$46.4 million in HY2016, mainly attributable to gas sales in Anhui Province and Shandong Province, as well as one-off gain from sales of natural gas business companies. During HY2016, the Group recorded investment income from disposal of 100% equity interests of Lasermoon Limited, which amounted to HK$33.8 million, and gain recognised on disposal of a subsidiary, 25% equity interests of Wuhan project, which amounted to HK$20.1 million.

During HY2016, total gas sales volume sold by the Group increased by 199.4% year-on-year, amounted to 53.9 million cubic meters (HY2015: 18.0 million cubic meters). The growth is attributable to existing projects that have become operational and the acquisition of new projects that were immediately operational.

The Group's major natural gas projects:

	Project Name	Equity Interests	Status	Natural Gas for Transportations		City Gas		Trading	Total
				Number of Stations	*Volume (m^3)*	*Number of projects*	*Volume (m^3)*	*Volume (m^3)*	*Volume (m^3)*
Subsidiaries	Liaoning Benxi	89%	Existing	1	203,340	1	590,970	–	794,310
	Shandong Jinan	60%	Existing	2	1,109,407	–	–	–	1,109,407
	Shandong Yucheng	36%	Under Reinvestment	2	–	–	–	–	–
	Shandong Tengzhou	100%	Existing	1	1,451,732	–	–	7,641,602	9,093,334
	Shandong Chiping	100%	Existing	1	358,210	–	–	9,332	367,542
	Guizhou Liupanshui	51%	Existing	2	1,893,978	–	–	–	1,893,978
	Anhui Power Energy	100%	Incorporated in Jan-2016	–	–	–	–	28,480,166	28,480,166
			Subtotal	**9**	**5,016,667**	**1**	**590,970**	**36,131,100**	**41,738,737**
Associates	Hainan Xinyuan *(Note)*	48%	Existing	17	8,324,558	–	–	–	8,324,558
	Hainan Zhongyou Jiarun	40%	Acquired in Apr-2016	3	1,808,115	–	–	–	1,808,115
	Hefei Kunlun Energy	58%	Acquired in Apr-2016	5	1,153,933	–	–	898,694	2,052,627
			Subtotal	**25**	**11,286,606**	**–**	**–**	**898,694**	**12,185,300**
Joint Venture	Hubei Huanggang	30%	Under construction	–	–	1	–	–	–
			Grand Total	**34**	**16,303,273**	**2**	**590,970**	**37,029,794**	**53,924,037**

Note: Hainan Xinyuan became a non-wholly owned subsidiary of the Company since July 2016.

Total gas sales volume from subsidiaries amounted to 41.7 million cubic meters (HY2015: 10.2 million cubic meters). In addition, total gas sales volume from the associates of the Group amounted to 12.2 million cubic meters (HY2015: 7.7 million cubic meters).

During HY2016, turnover of associates increased by 63.1% to HK$60.9 million; shares of profit of associates amounted to HK$1.6 million (HY2015: HK$0.6 million). Earnings per share was HK0.03 cents, as compared to loss per share of HK0.07 cents for HY2015. Interest expense amounted to HK$37.0 million, of which the actual cash interest expense was HK$18.3 million. EBITDA amounted to HK$45.9 million, up 163.3% compared to HY2015.

As at 30 June 2016, the Group owned a total of 34 gas refueling stations for vehicles in Hainan Province, Anhui Province, Shandong Province, Guizhou Province and Liaoning Province. We also owned 2 city gas projects in Liaoning Province and Hubei Province, while the geographical coverage of the Group's trading and distribution business included Shandong Province, Hainan Province, Anhui Province and Zhejiang Province.

RESIDENTIAL USERS

City gas projects can provide a solid foundation of income for Blue Sky Power with the sale of natural gas and the collection of connection fees upon completion of last miles pipeline to the users. The Group currently has an operational city gas project in Benxi City, Liaoning Province and another one in Huanggang City, Hubei Province which is under construction. During HY2016, the Group recorded connection fee income for 2,006 new residential households for Liaoning project, amounted to HK$4.7 million. There was no connection income from city gas projects for HY2015. As at 30 June 2016, the Group recorded connection fee income for 6,950 households in total for Liaoning project, representing 28% of total expected potential household connections of the project. Despite slowing economic growth across China, the Group sees opportunity in China's growing urbanisation. The Group is actively seeking to participate and invest in more city gas projects for cities with solid economic fundamentals, and where the Group can generate growth in natural gas provision. The Group will also select projects where the profit margin of the natural gas provision can be further increased in which there are upstream natural gas facilities in the vicinity.

INDUSTRIAL AND COMMERCIAL USERS

The Group is vigorously expanding its customer base in the Industrial and Commercial sector and this is expected to be a key growth driver of the Group's gas sales in the coming years. The Group is currently supplying gas to an industrial park in Liaoning, with growing gas sales volume. Construction is underway for the Group's joint venture company in Huanggang City, Hubei Province, is expected to come online by early 2017. During HY2016, the Group has also invested in a number of projects in Shandong Province to directly supply LNG to industrial users with respectable volumes. Those projects are expected to come online in the second half of 2016 and first half of 2017.

CNG AND LNG REFUELING STATIONS

The Group sells natural gas to CNG vehicles (taxis, motor buses and private cars) and LNG vehicles (trucks and motor buses). During HY2016, the Group added 8 new LNG refueling stations for vehicles in Hainan Province and Anhui Province. As at 30 June 2016, the Group owned a total of 18 CNG refueling stations and 16 LNG refueling stations for vehicles, totalling 34 stations, as compared to 26 stations (comprising 18 CNG refueling stations and 8 LNG refueling stations) as at 31 December 2015.

Due to low level of international oil price since 2015, the demand for CNG and LNG as a vehicular fuel has slowed considerably. In view of this, the Group adopted pragmatic business development and promotional strategies to each cluster of refueling stations that target more to bigger customers such as logistics companies and offer more value-added services such as car washing and inspection services to enhance customers' experience, convenience and loyalty.

In relation to cost control, as the Group increased the number of gas stations and in tandem with the Group's meaningful amount of CNG and LNG trading and distribution business, the Group has developed a central procurement platform of natural gas when negotiating with upstream pipelines and LNG liquefaction factories to increase our price bargaining power so as to improve profitability.

Regarding asset optimization, the Group periodically shut down certain gas stations and invest in pipelines and equipment and renovate gas stations to improve cost effectiveness and efficiency. The CNG main station and satellite station in Yucheng City, Shandong Province, are currently under reinvestment to improve cost efficiency and expected to be reopened by end of 2016.

TRADING AND DISTRIBUTION OF CNG AND LNG

Since the second half of 2015, the Group has expanded into the CNG and LNG trading and distribution business. During HY2016, it has grown to HK$68.5 million in revenue. As at 30 June 2016, the Group has a total of 41 natural gas tank trucks. With its growing natural gas transportation fleet and increasingly sophisticated logistics platform, the Group is expected to optimize its natural gas industry value chain via centralized procurement and logistics planning to significantly enhance our price bargaining power when negotiating with upstream suppliers and improve our efficiency. After the completion of acquisition of the natural gas trading companies in Shandong Province, the Group started to generate growing revenue via distributing and trading CNG and LNG as a wholesaler and sales agent to our own sales outlets such as refueling gas stations and direct supply facilities to industrial and commercial users. The establishment of Anhui Power Energy during HY2016 allowed the scale of the Group's trading and distribution business to rapidly ramp up. Total trading volume amounted to over 37.0 million cubic meters during HY2016.

During HY2016, the Group has collaborated with the Haikou LNG receiving terminals and is in the process of exploring cooperation opportunities with other receiving terminals such as in Ningbo. The Group owns 10% equity interests of CNPC's Haikou LNG receiving terminal, distribute LNG with gas source ultimately from CNOOC's Ningbo receiving terminal and Sinopec's Dongjiakou receiving terminal. Imported LNG is expected to provide stable natural gas and efficiently lower cost along the coastal area.

OTHER VALUE-ADDED SERVICES

The Group recorded investment income of HK$33.8 million by disposing 100% equity interests of Lasermoon Limited, an online B2B and B2C platform service provider which focuses on the trading of LNG among LNG liquefaction factories, LNG trading companies and gas stations with value-added services involving price matching, cloud computing, big data analysis, and supply chain solutions.

Going forward, the Group will continue to collaborate with Lasermoon Limited to enhance its trading activities that can benefit our natural gas sales volume and customer satisfaction. The Group aims at connecting the upstream, midstream, and downstream participants of the LNG industry value chain and integrating the flow of information, capital, and logistics. One benefit includes usage of data provided by the platform to reduce the unloaded tankers ratio and improve utilization rate.

EXPANSION INITIATIVES

With a well-defined set of investment strategies, the Group is dedicated to capture more market share, grow its gas sales volume, and increase its profitability in the natural gas industry.

The Group has adopted its own "One Belt, One Road Expansion Strategy". Along key coastal economic areas such as the Jing-Jin-Ji Economic Circle and the Yangtze River Delta, the Group aims to leverage CNOOC, Sinopec and CNPC's LNG receiving terminals to distribute more low cost imported LNG as a wholesaler and distributor to our own sales outlets. The Group aims to significantly ramp up its distribution network along China's coastal areas to reach a wider potential customer base to further increase its market share and bargaining power with upstream gas suppliers.

Inland, along the "One Road", from Shanxi all the way to the western and north-western provinces of China, the Group will seek to identify projects including city gas projects, trading and distribution opportunities and refueling gas stations where imminent gas demand is available with above market average investment-return. The Group will select projects with multiple sources of pipeline gas and/or where there are gas rich upstream gas fields that provide lower cost of gas.

At the end of 2015, the Group's projects covered 7 provinces, namely Shandong, Hainan, Jiangsu, Guizhou, Liaoning, Hubei and Sichuan. During HY2016, the Group's business added one more province, Anhui, to our coverage.

During HY2016, the Group acquired/incorporated 3 projects:

	Newly acquired/incorporated projects	Description
1	Anhui Power Energy	Trading and Distribution
2	Hainan Zhongyou Jiarun	3 LNG refueling stations
3	Hefei Kunlun Energy	5 LNG refueling stations

FINANCIAL RESOURCES OF THE GROUP

Cash and bank balances of the Group has greatly improved to HK$1,033.3 million as at 30 June 2016. Given the Group's strong cash position, below industry average gearing level and a quality profile of institutional and industry investors, the Group is expected to significantly expand its investment in the natural gas industry and pursue opportunities in a time of industry consolidation to generate exceptional return for its shareholders.

During HY2016, the Group successfully introduced Beijing Gas Group Co. Ltd. ("Beijing Gas") as our single largest shareholder. Beijing Gas, a wholly-owned subsidiary of Beijing Enterprises Holdings Limited ("BEHL"), subscribed 2,155,555,555 subscription shares of the Group at HK$0.45 per share with investment amount of HK$970.0 million and also convertible bonds with total principal amount of HK$350.0 million.

As at 30 June 2016, the Group had corporate bond of HK$193.0 million and convertible bonds with total principal amount of HK$681.0 million. The Group's gearing ratio, which is total borrowings divided by total assets, was at 18.7% as at 30 June 2016, which was about the same as at 31 December 2015. Excluding convertible bonds, the gearing ratio was 6.7% as at 30 June 2016, compared to 9.6% as at 31 December 2015. Cash to total liabilities was 1.4 as at 30 June 2016, as compared to 0.2 as at 31 December 2015.

Convertible bonds issuance summary table:

Issue date	Subscriber / Placing agent	Principal amount *HK$*	Conversion price per share *HK$*	Maturity Date	Finance cost for the six months ended 30 June 2016 *HK$'000*
2015-09-09	Templeton Asset Management Ltd.'s Emerging Markets Group	116,000,000	0.40	2018-09-08	10,070
2015-12-11	Haitong International Securities Group Limited	200,000,000	0.48	2018-12-10	10,716
2016-01-07	Templeton Asset Management Ltd.'s Emerging Markets Group	15,000,000	0.40	2019-01-06	1,074
2016-05-11	Beijing Gas Group Co., Ltd.	350,000,000	0.45	2019-05-10	4,532
2014-10-17	China Galaxy International Securities (Hong Kong) Co., Limited*	50,000,000	0.394	2017-10-16	409
					26,801

* All these convertible bonds were converted to share during the six months ended 30 June 2016.

FINANCIAL REVIEW

Condensed Consolidated Statement of Comprehensive Income

Revenue

Revenue increased by 27.1% from HK$90.7 million for HY2015 to HK$115.3 million for HY2016 which was mainly due to the expansion of natural gas business. The Group recorded an increase of revenue from natural gas business by HK$73.1 million for HY2016, mainly attributable to the following:

(i) the Company successfully ramped up the LNG trading business in the PRC during HY2016, in which the revenue from the LNG trading business of the Group increased from nil to HK$68.5 million for HY2016;

(ii) the completion of the acquisition of Taián Project in Shandong Province in October 2015, contributed to the revenue of HK$24.7 million for HY2016; and

(iii) the temporary suspension of the two gas refueling stations in Yucheng, Shandong Province during HY2016, resulting in the decrease in revenue amounted to HK$25.3 million.

Gross Profit/Loss and Segment Profit/Loss

The Group turned from the gross loss of HK$4.2 million for HY2015 to the gross profit of HK$4.2 million for HY2016, which was mainly due to the increase in the sales volume of natural gas from the growing natural gas business during HY2016.

The natural gas business of the Group recorded a segment profit of HK$46.4 million during HY2016, which increased by HK$5.6 million from HY2015, owing to the scale of operations of our natural gas projects including the LNG trading business which started to grow up during HY2016. On the other hand, the printing business of the Group recorded a segment loss of HK$2.3 million during HY2016, as compared to a segment loss of HK$9.2 million during HY2015, due to the fading out of printing operation during HY2016 in view of the intense competition of the printing market.

Earnings before Interests, Tax, Depreciation and Amortisation

Earnings before interests, tax, depreciation and amortisation increased from HK$17.4 million for HY2015 to HK$45.9 million for HY2016, which is mainly due to the increase in the sales volume of natural gas from the expansion of natural gas business during HY2016.

Other Gains and Losses and Other Income

Other gains and losses and other income increased from HK$1.6 million for HY2015 to HK$63.7 million for HY2016, which is mainly due to (i) the increase in gain from fair value change in financial asset at fair value through profit or loss of HK$17.5 million; (ii) the increase in gain from investment income of HK$38.0 million; (iii) the increase in reversals of impairment losses on trade receivables of HK$2.8 million; (iv) the increase in gain from the fair value change of embedded derivatives of HK$2.4 million; and (v) the increase in gain from interests income of HK$1.1 million.

Operating Expenses

(a) Selling and distribution costs

Selling and distribution costs decreased by 81.0% from HK$2.1 million for HY2015 to HK$0.4 million for HY2016. This was mainly due to the decrease in transportation and freight charges of HK$1.6 million and sales commission of HK$0.1 million.

(b) Administrative expenses

The administrative expenses increased by 30.8% from HK$50.7 million for HY2015 to HK$66.3 million for HY2016. It was mainly due to the increase in the following expenses during HY2016 (i) depreciation by HK$5.0 million; (ii) the director emoluments by HK$4.8 million; (iii) the PRC taxes by HK$2.3 million; (iv) the rent and rate by HK$2.2 million and (v) staff salary and allowance by HK$1.3 million.

(c) Other expenses

Other expenses increased by 33.3% from HK$3.6 million for HY2015 to HK$4.8 million for HY2016 which was mainly due to the increased legal and professional fee of HK$1.1 million.

(d) Finance costs

Finance costs increased from HK$11.9 million for HY2015 to HK$37.0 million for HY2016 which was mainly due to the increase in interest on convertible bonds of HK$25.4 million arising from the new issue of convertible bonds during second half of 2015 and HY2016 as compared with the interest of HK$1.4 million in HY2015.

(e) Gain recognised on disposal of a subsidiary

Pursuant to the sale and purchase agreement entered into with an independent third party dated 27 June 2016, 深圳正威力能源有限公司, a wholly owned subsidiary of the Company, disposed of 25% equity interests in 武漢正威力燃氣有限公司, at a cash consideration of RMB7,500,000 (the "Wuhan Disposal"). On the same date, the Company and the other two independent third parties entered into joint venture agreement which resulted in a loss of control of 武漢正威力燃氣有限公司. Accordingly, Wuhan Disposal was treated as deemed disposal of 75% owned subsidiary at a deemed fair value of RMB22,500,000, resulting in a deemed gain of disposal of subsidiaries of HK$20.1 million.

(f) Income tax credit

Income tax credit was calculated at 25% and 16.5% of the estimated assessable profits of its PRC subsidiaries and Hong Kong subsidiaries for both periods, respectively.

During the period, the income tax credit of HK$2.5 million for HY2016 (HY2015: HK$2.4 million) represented the reversal of deferred tax provision arising from fair value adjustments of intangible assets from acquisition of various natural gas projects.

(g) Profit/Loss attributable to owners of the Company

As a result of the foregoing, the Group's profit for the period attributable to owners of the Company was arrived at HK$2.2 million, which switched from a loss for the period attributable to owners of the Company of HK$3.5 million during HY2015.

FUTURE PROSPECTS AND DEVELOPMENT

Entering 2016, the first year of China's 13th Five Year Plan, the Group is proactively monitoring policy making and economic development in China. The Group held constant discussions with policy makers among various levels of the Chinese Government and took an active and pragmatic approach to cooperate with local governments to promote and accelerate the usage of natural gas as the preferred source of clean energy.

To curb pollution and reduce high energy consumption（高能耗）, the goal of China's "13th Five-Year Plan" is to facilitate natural gas to reach 10% or more of the domestic primary energy usage by 2020. This poses tremendous market potential and opportunities to the Group and the Group will continue to ride on this policy environment.

Natural Gas Pricing Reforms

Last year, the National Development and Reform Committee ("NDRC") reduced the non-residential city-gate gas prices and effectively aligned the gas prices of non-residential "existing" and "incremental" gas usage volumes. The Group initiated the price pass-through mechanism, lowered its natural gas selling price, which has stimulated natural gas usage.

These changes also indicate NDRC's determination to support the development of domestic gas industry and natural gas pricing reform, with the ultimate aim to liberate gas supply as well as sales prices, which is expected to occur within the "13th Five-Year Plan" period.

Favourable sentiment on natural gas usage

China has entered the "New Normal" era, shifting from rapid to moderate economic growth, with a GDP growth rate of 6.9% in 2015. Even though China's GDP growth rate was 6.7% for the first half of 2016, the domestic natural gas demand growth rate has rebounded significantly to 9.8% for the same period.

The Group is aware of the situation of economic slowdown, tepid property market and excess industrial capacity, however, it believes this is an important phase of China's transition to a more sustainable and healthy economy. Moreover, this prevailing market sentiment allows the Group to better assess project viability. The Group will adopt a pragmatic approach to acquire projects with sustainable growth. In addition, the Group will also help its business partners by providing financing solutions, which will help to increase gas sales and improve margins, and thus come to mutually beneficial results.

According to the Action Plan on Prevention and Control of Air Pollution (《大氣污染防治行動計劃》) promulgated by the State Council of China in September 2013, the development of "coal-to-gas" conversion projects in Northeast region will continue be accelerated. The Group will closely coordinate and cooperate with local governments in accordance with "coal-to-gas" projects in the region, which will positively impact the Group's natural gas sales volume and offset the impacts of China's economic downturn.

Printing Business

During HY2016, the Group announced to partially dispose of its book sales and specialized products business segment (the "Printing Business"), with the aim to gradually fading out and discontinuing the Printing Business. In HY2016 it has received only limited orders from its customers and it is expected that the sales and gross profit from the Printing Business will further diminish for the year ending 31 December 2016.

The Group's Future Development Strategies

The green energy policies promoted under China's "13th Five-Year Plan" and "One Belt One Road" initiatives have crucial implications to the natural gas industry. The Group will take full advantages of the initiatives and expand both our customer base and market share along the coastal and inland areas accordingly, as well as to be comprehensively involved in the entire industry value chain.

With the industry and financial resources gained from Beijing Gas, our current single largest shareholder, we will continue to explore and identify more synergistic opportunities with them, in terms of co-investments and cooperation in both project and regional levels. Blue Sky Power will also act as an overseas financing platform of Beijing Gas in the capital markets.

Through stringent management, various bench-marking measures and dedicated development plans, the Group succeeded in achieving strong growth within a short period of business transformation. We constantly enhance operational and financial efficiencies in order to ensure an ongoing, robust and sustainable growth, as we endeavour to pursue long-term shareholders' value.

USE OF PROCEEDS

On 5 January 2016, the Company entered into a share subscription agreement and a convertible bond subscription agreement in the principal amount of HK$970.0 million and HK$350.0 million respectively (the "January 2016 Placement"). As at the date of the subscription agreements, the closing market price of the Company's shares as quoted on the Stock Exchange was HK$0.52 per share.

For the share subscription agreement, the Company has agreed to issue 2,155,555,555 new ordinary shares of HK$0.055 each at the issue price of HK$0.45 per share by way of subsription to Beijing Gas.

For the convertible bond subscription agreement, the Company has agreed to issue convertible bond in an aggregate principal amount of HK$350,000,000 at an initial conversion price of HK$0.45 to Beijing Gas.

On 11 May 2016, the January 2016 Placement was completed. The net proceeds from the issue of new shares and convertible bond after deducting related transaction costs was HK$1,318.0 million, of which as at 30 June 2016 (i) HK$151.4 million was used for mergers and acquisitions of natural gas projects (including earnest money paid for potential projects) which located in Shanxi, Heilongjiang, Zhejiang, Jilin and Shandong Provinces; (ii) HK$46.5 million was used for general working capital; (iii) HK$16.4 million was used for capital expenditure for existing projects of the Group including projects located in Liaoning and Guizhou Provinces; and (iv) the balance of HK$1,103.7 million shall be utilised as proposed, including HK$598.6 million for mergers and acquisition of natural gas projects, HK$283.6 million for capital expenditure of the existing projects of the Group, HK$138.0 million for repayment of loans and interest payment for loans and convertible bonds and HK$83.5 million for general working capital. As at 30 June 2016, the Company has applied part of the unutilized proceeds on treasury function in order for better utilization of the financial resources of the Company, which amounted to HK$89.3 million on held for trading investments, financial asset at fair value through profit or loss and convertible note receivables.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group financed its operations with shareholders' equity, and bank and other borrowings.

The Group maintained bank deposits, bank balances and cash amounting to HK$1,033.3 million as at 30 June 2016 (31 December 2015: HK$102.7 million), an increase of 10 times to 31 December 2015.

The Group had total borrowings of HK$715.5 million as at 30 June 2016 (2015: HK$450.9 million). The Group's gearing ratio, which is total borrowings divided by the total assets was 18.7% (2015: 18.7%).

As at 30 June 2016, there were no bank borrowings (2015: bank borrowings of HK$3.7 million were secured by corporate guarantee of the Company).

The Group's non-current assets increased to HK$2,410.4 million (31 December 2015: HK$2,100.1 million), primarily due to the increase in (i) deposits for acquisition of subsidiaries of HK$159.5 million; and (ii) interests in associates of HK$153.6 million.

As at 30 June 2016, the Group's current assets amounted to HK$1,410.9 million (31 December 2015: HK$311.2 million), mainly comprised of cash and bank balances of HK$1,033.3 million (31 December 2015: HK$102.7 million), trade and other receivables of HK$170.9 million (31 December 2015: HK$134.7 million), amounts due from joint ventures of HK$59.8 million (31 December 2015: HK$51.1 million), convertible note receivable of HK$30.0 million (31 December 2015: Nil), promissory note receivable of HK$33.0 million (31 December 2015: Nil), held for trading investment of HK$40.0 million (31 December 2015: Nil), financial assets at fair value through profit or loss of HK$23.8 million (31 December 2015: Nil) and amounts due from non-controlling shareholders of subsidiaries of HK$16.3 million (31 December 2015: HK$18.5 million).

As at 30 June 2016, the Group's current liabilities of HK$200.9 million (31 December 2015: HK$226.6 million), comprised of convertible bonds of HK$96.4 million (31 December 2015: HK$91.2 million), trade and other payables of HK$64.6 million (31 December 2015: HK$77.2 million), amount due to an associate of HK$30.8 million (31 December 2015: HK$31.7 million) and obligation under finance leases of HK$9.1 million (31 December 2015: HK$5.4 million).

As at 30 June 2016, the net current assets of the Group amounted to HK$1,209.9 million (31 December 2015: net current assets of HK$84.6 million). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) was 7.02 as at 30 June 2016 (31 December 2015: 1.37).

During the period ended 30 June 2016, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks.

EMPLOYEES' INFORMATION

Our employees are based in Hong Kong and the PRC. As at 30 June 2016, there were 280 (31 December 2015: 252) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

Salaries of and allowances for the Group's employees for the six months ended 30 June 2016 were HK$32.7 million (six months ended 30 June 2015: HK$44.2 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's major debts and borrowings and the reporting currencies are denominated in HK$. The Group has limited exposure to foreign exchange gain/loss arising from settlement of debts and borrowings. The Group will consider to utilize more Renminbi denominated borrowings in the future. The Group's revenue is mainly denominated in RMB. As the RMB is not a freely convertible currency and is regulated by the PRC government, the future exchange rates can vary significantly from current or historical exchange rates. Meanwhile, the Group will continue to pay close attention to the currency fluctuations of RMB, and will adopt proper measures to reduce the currency risk exposures of the Group based on its operating needs.

CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

Details of the Group's assets pledged are set out in note 21 to the unaudited condensed consolidated financial statements.

DIVIDEND

The Board did not recommend a payment of interim dividend for the HY2016.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2016, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required as recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("**Model Code**") contained in the Rules Governing the Listing of Securities on SEHK ("**Listing Rules**") were as follows:

(i) Interest in the Company

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of shareholding
Mr. Cheng Ming Kit	Beneficial owner	49,005,000	0.58%
	Interest of controlled corporation *(note 1)*	979,902,256	11.57%
Mr. Sze Chun Lee	Beneficial owner	1,800,000	0.02%
	Interest of controlled corporation *(note 2)*	171,488,480	2.03%
Mr. Kwok Shek San	Beneficial owner	7,296,000	0.09%
Mr. Hu Xiaoming	Beneficial owner	2,640,000	0.03%
Ms. Chung Oi Ling, Stella	Beneficial owner	7,472,020	0.09%
	Interest of controlled corporation *(note 3)*	206,340,000	2.44%

Notes:

1. Mr. Cheng Ming Kit, holds 100% interest in Grand Powerful Group Limited and is deemed to be interested in 979,902,256 Shares held by Grand Powerful Group Limited. Mr. Cheng Ming Kit personally held 49,005,000 Shares.
2. Mr. Sze Chun Lee holds 43.75% interest in China Print Power Limited and is deemed to be interested 171,488,480 Shares held by China Print Power Limited. Mr. Sze Chun Lee personally held 1,800,000 Shares.
3. Ms. Chung Oi Ling, Stella holds 100% interest in Flame Capital Limited and is deemed to be interested in 206,340,000 Shares held by Flame Capital Limited. Ms. Chung Oi Ling, Stella personally held 7,472,020 Shares.

(ii) Interest in associated corporations

Name of Director	Name of associated corporation	Number of Shares	Percentage of shareholding
Mr. Sze Chun Lee	China Print Power Limited	4,375	43.75%

Save as disclosed above, as at 30 June 2016, none of the Directors and the chief executive officer of the Company had any interests or short positions in the shares, warrants, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company or the SEHK pursuant to the Model Code.

SHARE OPTIONS

At the special general meeting of the Company held on 26 May 2011, the terms of the share option scheme was adopted by providing incentive to eligible participants to work better for the interests of the Group, under which the Board may, at its discretion, offer to grant options to any full-time or part-time employee and Directors of the Company or any of its subsidiaries.

During the period, no share options were granted under the Scheme. A total of 8,990,560 and 1,467,700 share options were exercised and lapsed respectively. As at 30 June 2016, share options were outstanding under the Scheme entitling the holders to subscribe for 223,789,470 shares of par value HK$0.055 each in the capital of the Company, which represented approximately 2.64% of the shares in issue at that date.

Save as determined by the directors and provided in the offer of the grant of the relevant options, there is no general requirement that an option must be held for any minimum period before it can be exercised.

The following table discloses movements of the Company's share options during the six months ended 30 June 2016:

Category of grantee	Exercise price per share option *HK$*	Date of grant	Exercisable period	Number of share options as at 1 January 2016	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Number of share options as at 30 June 2016
Directors:								
Mr. Cheng Ming Kit	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	–	–	24,906,730
Mr. Hung Tao	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	–	–	24,906,730
	0.395	23 July 2015	23 July 2016 to 22 July 2019	15,000,000	–	–	–	15,000,000
Mr. Kwok Shek San	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	–	–	24,906,730
	0.395	23 July 2015	23 July 2016 to 22 July 2019	10,000,000	–	–	–	10,000,000
Mr. Hu Xiaoming	0.395	23 July 2015	23 July 2016 to 22 July 2019	10,000,000	–	–	–	10,000,000
Ms. Chung Oi Ling, Stella	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	(7,472,020)	–	17,434,710
Mr. Lim Siang Kai	0.286	21 July 2014	21 July 2015 to 20 July 2024	2,490,670	–	–	–	2,490,670
Mr. Wee Piew	0.286	21 July 2014	21 July 2015 to 20 July 2024	2,490,670	–	–	–	2,490,670
Mr. Ma Arthur On-hing	0.395	23 July 2015	23 July 2016 to 22 July 2019	2,490,670	–	–	–	2,490,670
Sub-total				142,098,930	–	(7,472,020)	–	134,626,910
Employees	0.286	21 July 2014	21 July 2015 to 20 July 2024	5,600,000	–	–	–	5,600,000
	0.349	1 September 2014	1 September 2015 to 31 August 2018	25,438,800	–	(1,518,540)	(637,700)	23,282,560
	0.395	23 July 2015	23 July 2016 to 22 July 2019	61,110,000	–	–	(830,000)	60,280,000
Sub-total				92,148,800	–	(1,518,540)	(1,467,700)	89,162,560
Total				234,247,730	–	(8,990,560)	(1,467,700)	223,789,470

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, persons/corporations (other than the Directors and the chief executive officer of the Company) which had interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Name	Capacity	Number of Shares	Percentage of shareholding
Lee Tsz Hang *(Note 1)*	Beneficial owner	693,981,000	8.20%
Beijing Gas Company Limited *(Note 2)*	Corporate interest	2,933,333,332	34.64%
Beijing Enterprises Holdings Limited *(Note 2)*	Interest of controlled corporation	2,933,333,332	34.64%

Notes:

1. Mr. Lee Tsz Hang holds 100% interest in Win Ways Investment Limited and is deemed to be interested in 201,096,000 Shares held by Win Ways Investment Limited. Mr. Lee Tsz Hang personally holds 492,885,000 Shares.

2. Beijing Enterprises Holdings Limited indirectly holds 100% interest in Beijing Gas Company Limited and Beijing Gas Group Co., Ltd. and is deemed to be interested in 2,155,555,555 Shares and convertible bond in an aggregate principal amount of HK$350,000,000 at the issue price of HK$0.45 which will be converted into 777,777,777 Shares. Mr. Zhi Xiaoye, the non-executive Director and Co-Chairman of the board of directors of the Company, is currently the vice president of Beijing Enterprises Holdings Limited and he also serves as general manager of Beijing Gas Group Co., Ltd.

Other than disclosed above, the Company has not been notified of any persons/corporations (other than the directors and chief executive officer of the Company) who had interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of SFO as at 30 June 2016, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has adopted the Code Provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on SEHK (the "**Listing Rules**"). The Company has complied with the code provisions listed in the CG Code during the HY2016 except for the following deviation:

Code Provision A.6.7

Under code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Ms. Chung Oi Ling, Stella, a non-executive Director, was unable to attend the special general meeting of the Company held on 16 March 2016 due to other business commitments.

Mr. Zhi Xiaoye, a non-executive Director, was unable to attend the annual general meeting of the Company held on 3 June 2016 due to other business commitments.

Code Provision E.1.2

Under code provision E.1.2, the chairman of the Board should attend the annual general meeting. The co-chairmen of the Board, Mr. Cheng Ming Kit and Mr. Zhi Xiaoye, were unable to attend the annual general meeting of the Company held on 3 June 2016 due to other business commitments.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors subsequent to the publication of the 2015 annual report are set out below:

Mr. Cheng Ming Kit ("Mr. Cheng") (executive Director and co-chairman of the Board)

The monthly salary of Mr. Cheng was increased from HK$70,000 to HK$250,000 with effect from 1 January 2016.

Mr. Kwok Shek San ("Mr. Kwok") (executive Director)

The monthly salary of Mr. Kwok was increased from HK$150,000 to HK$160,500 with effect from 1 February 2016.

Mr. Wee Piew ("Mr. Wee") (independent non-executive Director)

Mr. Wee was appointed as the chief executive officer and an executive director of PSL Holdings Ltd, a public listed company in Singapore with effect from 23 August 2016.

Save as disclosed above, the Company is not aware of other changes in the directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by the Directors. The Board confirms that, having made specific enquiries with all Directors, during the six months ended 30 June 2016, all Directors have complied with the required standards of the Model Code.

AUDIT OR REVIEW OF THE INTERIM FINANCIAL RESULTS

The interim financial results have not been audited or reviewed by the Group's external auditors.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee has also reviewed the unaudited interim results of the Group for the six months ended 30 June 2016.

BOARD OF DIRECTORS

As at the date of this report, the executive Directors are Mr. Cheng Ming Kit, Mr. Sze Chun Lee, Mr. Hung Tao, Mr. Kwok Shek San and Mr. Hu Xiaoming; the non-executive Directors are Ms. Chung Oi Ling, Stella and Mr. Zhi Xiaoye and the independent non-executive Directors are Mr. Lim Siang Kai, Mr. Wee Piew and Mr. Ma Arthur On-hing.

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

Hong Kong, 30 August 2016