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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS OF THE INTERIM RESULTS:

- Revenue from natural gas business increased 173.1% to HK\$115.3 million
- Total gas sales volume sold increased by 200.3% to HK\$53.9 million cubic meters
- Profit for the period attributable to owners of the Company amounted to HK\$2.2 million, of which the Group recorded a loss of HK\$3.5 million last year
- The Group's natural gas projects covered 8 provinces, namely Hainan, Anhui, Shandong, Liaoning, Guizhou, Sichuan, Hubei and Jiangsu Provinces
- Successfully introduced Beijing Gas as the single largest shareholder and will continue to explore and identify more synergistic opportunities

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Blue Sky Power Holdings Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2016 (“**HY2016**”) together with the comparative figures for the same period in 2015 (“**HY2015**”).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	6	115,296	90,742
Cost of sales		<u>(111,121)</u>	<u>(94,935)</u>
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		<u>20,081</u>	<u>59,913</u>
Loss before income tax	10	(11,882)	(10,872)
Income tax credit	11	<u>2,501</u>	<u>2,428</u>
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		<u>(5,336)</u>	<u>(1,566)</u>
Total comprehensive expense for the period		<u>(14,717)</u>	<u>(10,010)</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		2,208	(3,457)
Non-controlling interests		<u>(11,589)</u>	<u>(4,987)</u>
		<u>(9,381)</u>	<u>(8,444)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		558	(5,348)
Non-controlling interests		<u>(15,275)</u>	<u>(4,662)</u>
		<u>(14,717)</u>	<u>(10,010)</u>
Earning (loss) per share	13		
– Basic		<u>HK0.03 cents</u>	(HK0.07 cents)
– Diluted		<u>HK0.03 cents</u>	(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

		30 June 2016	31 December 2015
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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 ("HKAS") 34 – Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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 ("IASB") 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.

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 foreseeable 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	<u>115,296</u>	<u>–</u>	<u>115,296</u>
Segment profit/(loss)	<u>46,379</u>	<u>(2,304)</u>	<u>44,075</u>
Other income and other gains and losses			27,073
Central corporate expenses			(46,176)
Finance costs			(36,954)
Share of profit of certain associate			<u>100</u>
Loss before income tax			<u>(11,882)</u>

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 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;
- (ii) the 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") 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; and
- (iii) gain on deemed partial disposal of an associate, Triple Energy Limited. During HY2016, 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)

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

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
	<u>115,296</u>	<u>90,742</u>

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
	<u>61,360</u>	<u>968</u>

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
	<u>2,327</u>	<u>667</u>

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
	<u>36,954</u>	<u>11,858</u>

* The convertible bonds issuance summary table is set out in page 22.

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
	<u>168</u>	<u>168</u>

* 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	<u>2,585</u>	<u>2,428</u>
Total income tax credit	<u>2,501</u>	<u>2,428</u>

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

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

		30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
	<i>Notes</i>		
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

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

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (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 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (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
	<u>64,566</u>	<u>77,206</u>

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

17. BANK AND OTHER BORROWINGS

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Trust receipt loans	–	3,694
Corporate bonds (<i>note</i>)	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
<i>Less:</i> 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		
<i>Authorised share capital</i>		
At 31 December 2015 and 30 June 2016	91,000,000,000	5,005,000
<i>Issued and fully paid share capital</i>		
At 1 January 2015	4,658,605,900	256,223
Issue of shares by way of placing (<i>note i</i>)	262,500,000	14,438
Issue of shares upon conversion of convertible notes and convertible bonds (<i>note ii</i>)	643,354,980	35,385
Issue of shares for acquisition of subsidiaries (<i>note iii</i>)	531,679,993	29,242
Issue of shares upon exercise of share options (<i>note iv</i>)	3,500,000	192
At 31 December 2015	6,099,640,873	335,480
Issue of shares by way of placing (<i>note v</i>)	2,155,555,555	118,556
Issue of shares upon conversion of convertible notes and convertible bonds (<i>note vi</i>)	45,685,276	2,513
Issue of shares for acquisition of subsidiaries (<i>note vii</i>)	158,333,333	8,708
Issue of shares upon exercise of share options (<i>note viii</i>)	8,990,560	494
At 30 June 2016	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.
- (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. 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	<u>152,000</u>	<u>96,000</u>
	<u>158,473</u>	<u>137,239</u>

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

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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 HY 2016, 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 recognized 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 200.3% 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 Interest	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	–	794,309
	Shandong Jinan	60%	Exiting	2	1,109,407	–	–	–	1,109,407
	Shandong Yucheng	36%	Under Reinvestment	2	–	–	–	–	–
	Shandong Tengzhou	100%	Exiting	1	1,451,732	–	–	7,641,602	9,093,334
	Shandong Chiping	100%	Exiting	1	358,210	–	–	9,332	367,542
	Guizhou Liupanshui	51%	Exiting	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	48%	Exiting	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	30%	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

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 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 urbanization. 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, it 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 valued 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. Operations of the CNG main station and satellite station in Yucheng City, Shandong Province, are currently under reinvestment to improve cost efficiency and is 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 the 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	20,716
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 Amortization

Earnings before interests, tax, depreciation and amortization 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 assets 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 6 months 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 subscription 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.

REVIEW BY AUDIT COMMITTEE

The audit committee comprises three members, namely Mr. Lim Siang Kai, Mr. Wee Piew and Mr. Ma Arthur On-hing, all being independent non-executive Directors. It has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The audit committee has reviewed with the management the condensed consolidated financial statements of the Company for the period ended 30 June 2016.

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.

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.

COMPLIANCE WITH THE MODEL CODE

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (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 transactions by the Directors. The Board confirms that, having made specific enquiries with all Directors, all Directors have complied with the required standards of the Model Code throughout the period ended 30 June 2016.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of SEHK (www.hkexnews.hk), SGX-ST (www.sgx.com) and the Company (www.blueskypower.holdings). The interim report of the Company for the six months ended 30 June 2016 containing all the information required by the Listing Rules will be despatched to the shareholders and available on the aforesaid websites in due course.

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

Hong Kong, 30 August 2016

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