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CHINA LNG GROUP LIMITED

中國天然氣集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

The board (the “**Board**”) of directors (the “**Directors**”) of China LNG Group Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2014 (the “**Period**”) together with the comparative figures for the previous corresponding period prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Rental income	3	420	420
Dividend income from held for trading investments	3	–	5,546
Gain on disposal of held for trading investments	3	3,364	–
Gain on bargain purchase of held for trading investments	3	131,406	–
Gain/(loss) on fair value changes on held for trading investments	3	203,464	(13,107)
		<u>338,654</u>	<u>(7,141)</u>
Other income		842	186
Administrative expenses		(3,409)	(2,935)
		<u>336,087</u>	<u>(9,890)</u>
Profit/(loss) from operations		336,087	(9,890)
Finance costs	4(a)	–	(25)
		<u>336,087</u>	<u>(9,915)</u>
Profit/(loss) before taxation	4	336,087	(9,915)
Taxation	5	(55,400)	(37)
		<u>280,687</u>	<u>(9,952)</u>
Profit/(loss) for the period attributable to equity shareholders of the Company		280,687	(9,952)
Other comprehensive income for the period		–	–
		<u>280,687</u>	<u>(9,952)</u>
Total comprehensive income/(loss) for the period attributable to equity shareholders of the Company		<u>280,687</u>	<u>(9,952)</u>
Earnings/(loss) per share (HK cents)			
– Basic	7	2.8060	(0.1146)
		<u>2.8060</u>	<u>(0.1146)</u>
– Diluted		N/A	N/A
		<u>N/A</u>	<u>N/A</u>

Details of dividends payable to equity shareholders of the Company are set out in Note 6.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Notes</i>	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Non-current assets			
Investment properties	8	84,878	84,878
Plant and equipment		405	480
Deferred tax assets		21	21
		<u>85,304</u>	<u>85,379</u>
Current assets			
Held for trading investments	9	406,522	–
Prepayments and deposits		997	986
Bank balances and cash		106,038	170,186
		<u>513,557</u>	<u>171,172</u>
Current liabilities			
Accrued charges and other payables	10	40,516	461
Income tax payable		56,391	991
		<u>96,907</u>	<u>1,452</u>
Net current assets		<u>416,650</u>	<u>169,720</u>
Total assets less current liabilities		501,954	255,099
Non-current liability			
Deferred tax liability		144	144
Net assets		<u>501,810</u>	<u>254,955</u>
Capital and reserves			
Share capital		112,769	86,863
Reserves		389,041	168,092
Shareholders' funds		<u>501,810</u>	<u>254,955</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

The Company was incorporated in the Cayman Islands on 5 December 2000 as an exempted company with limited liability under the Companies Law (2001 Second Revision) Chapter 22 of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 24 October 2001. The address of the principal place of business of the Company has changed from Unit A, 8/F, St. John’s Building, 33 Garden Road, Central, Hong Kong to 8/F, St. John’s Building, 33 Garden Road, Central, Hong Kong.

Pursuant to the special resolution passed at the annual general meeting on 21 May 2014, the Certificate of Incorporation on Change of Name of the Company issued by the Registrar of Companies in the Cayman Islands on 28 May 2014 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company issued by the Registrar of Companies in Hong Kong on 12 June 2014, the English name of the Company was changed from “Artel Solutions Group Holdings Limited” to “China LNG Group Limited” and the Chinese name of the Company was changed from “宏通集團控股有限公司” (for identification purpose only) to “中國天然氣集團有限公司” (for identification purpose only).

The Company is an investment holding company and the principal activities of the Group are properties investment, trading of securities and development of liquefied natural gas (“**LNG**”) businesses.

2. BASIS OF PREPARATION

The condensed consolidated financial statements and selected explanatory notes have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 31 December 2013, except for the standards, amendments and interpretations (hereinafter collectively referred to as “**Hong Kong Financial Reporting Standards**”) issued by the HKICPA applicable to the annual period beginning on 1 January 2014. The effect of the adoption of these Hong Kong Financial Reporting Standards had no material effect on the Group’s results of operations and financial position for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not applied the new or revised Hong Kong Financial Reporting Standards that have been issued but were not yet effective for the accounting period of these financial statements. The Directors anticipate that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

The Group's turnover represents the aggregate of the rental income from letting of investment properties, dividend income from held for trading investments and net realised and unrealised gains or losses from trading of securities, and is analysed as follows:–

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Rental income	420	420
Dividend income from held for trading investments	–	5,546
Gain on disposal of held for trading investments	3,364	–
Gain on bargain purchase of held for trading investments (<i>note</i>)	131,406	–
Gain/(loss) on fair value changes on held for trading investments	203,464	(13,107)
	<u>338,654</u>	<u>(7,141)</u>

Note:

On 20 January 2014, Mr. Kan Che Kin, Billy Albert (“**Mr. Kan**”), an executive Director and the substantial shareholder of the Company, and Key Fit Group Limited (“**Key Fit**”), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement pursuant to which Mr. Kan agreed to sell and Key Fit agreed to purchase 152,050,000 shares of Warderly International Holdings Limited (“**Warderly**”), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange, for a total consideration of HK\$7,602,500 (or HK\$0.05 per Warderly's Share) and convertible bonds (the “**Convertible Bonds**”) issued by Warderly in the principal amount of HK\$80,000,000 Warderly's Shares for a total consideration of HK\$80,000,000. The gain on bargain purchase of held for trading investments of approximately HK\$131,406,000 was recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2014.

The Group determines its operating segments based on the Directors' decisions. For management purposes, the Group is organised into three operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:–

- Development of LNG businesses
- Properties investment
- Trading of securities

Segment revenue, expenses and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue and expenses are determined before intra-group transactions and are eliminated as part of the consolidated process, except to the extent that such intra-group transactions are between group enterprises within a single segment. Unallocated items comprise corporate expenses. This is the measure reported to the Group's management for the purposes of resource allocation and assessment of segment performance.

The measure used for reporting segment result is "adjusted EBT" i.e. adjusted earnings before taxes. To arrive at adjusted EBT, the Group's earnings/(loss) are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

Segment information about the aforementioned businesses is set out below:

	Development of LNG businesses		Properties investment		Trading of securities		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2014	2013	2014	2013	2014	2013	2014	2013
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
TURNOVER								
External	<u>–</u>	<u>–</u>	<u>420</u>	<u>420</u>	<u>338,234</u>	<u>(7,561)</u>	<u>338,654</u>	<u>(7,141)</u>
RESULT								
Segment result	<u>(509)</u>	<u>–</u>	<u>52</u>	<u>70</u>	<u>337,236</u>	<u>(8,100)</u>	<u>336,779</u>	<u>(8,030)</u>
Other operating income							<u>842</u>	<u>186</u>
Unallocated corporate expenses							<u>(1,534)</u>	<u>(2,046)</u>
Finance costs							<u>–</u>	<u>(25)</u>
Profit/(loss) before taxation							<u>336,087</u>	<u>(9,915)</u>
Taxation							<u>(55,400)</u>	<u>(37)</u>
Profit/(loss) for the period							<u>280,687</u>	<u>(9,952)</u>

The Group's operations are located in Hong Kong during both periods.

4. PROFIT/(LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) before taxation has been arrived at after charging/(crediting):–		
(a) Finance costs		
Interest on secured bank loan	–	25
	<u>–</u>	<u>25</u>
(b) Other items		
Depreciation of plant and equipment	82	138
Rental income less outgoings	(284)	(288)
Interest income	(842)	(186)
	<u>(842)</u>	<u>(186)</u>

5. TAXATION

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong Profits Tax	55,400	–
Deferred tax	–	37
	<u>55,400</u>	<u>37</u>

Provision of Hong Kong Profits Tax for the period was calculated at 16.5% of the estimated assessable profits.

No provision for Hong Kong Profits Tax had been made for the last period as the Group did not have any assessable profit for the last period.

No provision for taxation has been made in respect of the Company's subsidiaries operating in other jurisdictions as they did not have assessable profits for both periods.

6. DIVIDEND

(a) Dividend payable to equity shareholders attributable to the reporting year:–

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend proposed after the end of the reporting period of HK0.2 cents per share (2013: nil)	<u>22,554</u>	<u>–</u>

The proposed interim dividend for the six months ended 30 June 2014 is subject to the approval of the Company's shareholders at the forthcoming extraordinary general meeting. The interim dividend proposed after the end of the reporting period had not been recognised as a liability at the end of the reporting period.

(b) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:–

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK0.3 cents per share (six months ended 30 June 2013: HK0.2 cents per share)	<u>33,832</u>	<u>17,372</u>

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share of the Company (the "Share") attributable to equity shareholders of the Company for the period is based on the profit for the period of approximately HK\$280,687,000 (2013: loss of HK\$9,952,000) and the weighted average number of 10,003,074,279 (2013: 8,686,267,821) Shares in issue.

Diluted earning per share has not been calculated for the reporting period as all conversion rights attached to the convertible note were exercised during the period and there are no dilutive potential shares at the end of the reporting period. Diluted loss per share has not been calculated for last reporting period as the exercise of the outstanding convertible notes would result in a reduction in the loss per share.

	As at 30 June	
	2014	2013
	Number	Number
	of Share	of Share
Weighted average number of Shares		
Weighted average number of Shares (basic)	10,003,074,279	8,686,267,821
Effect of the exercise in full of the conversion rights attaching to the outstanding convertible notes		2,590,673,575
Weighted average number of Shares (diluted)		11,276,941,396

8. INVESTMENT PROPERTIES

	As at	As at
	30 June	31 December
	2014	2013
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
At 1 January	84,878	84,800
Additions	–	78
At fair value	84,878	84,878

As at 30 June 2014 and 31 December 2013, all of the Group's investment properties were located in Hong Kong and were built on land held under the following term leases:–

	As at	As at
	30 June	31 December
	2014	2013
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Medium-term leases	63,228	63,228
Long-term leases	21,650	21,650
	84,878	84,878

The Group's investment properties with total carrying value of approximately HK\$84,878,000 as at 30 June 2014 and 31 December 2013 were pledged to secure the Group's banking facilities (Note 12).

The carrying amount of the Group's investment properties as of 31 December 2013 was revalued by Roma Appraisals Limited, an independent professional valuer. The valuations were carried out by qualified persons who are members of the Hong Kong Institute of Surveys with recent experience in the location and category of properties being held. The fair values of investment properties are determined using direct comparison approach to value these properties in their respective existing status and uses on the market basis assuming sale with immediate vacant possession and by making

reference to comparable sales evidence. The valuations take into account the characteristic of the properties which included the location, size, shape, view, floor level, year of completion and other factors collectively. Higher premium for properties with higher characteristic will result in a higher fair value measurement. The fair values of investment properties are also determined using investment approach on the basis of capitalisation of net income with due allowance of outgoings and reversionary income potential. The fair value measurement is positively correlated to the market rental but inversely correlated to the market yields. Hence, the Group's investment properties were classified as level 3 of the fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. Level 3 inputs are defined as unobservable inputs.

The Directors have estimated that the fair values of the investment properties as of 30 June 2014 did not vary significantly from the professional valuation as of 31 December 2013. Accordingly, no fair value adjustment has been recognised in respect of the Group's investment properties for the six months ended 30 June 2014 (30 June 2013: Nil).

9. HELD FOR TRADING INVESTMENTS

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Equity securities listed in Hong Kong, at fair value (note a)	26,522	–
Debt securities of a listed entity in Hong Kong, at fair value (note b)	380,000	–
	<hr/>	<hr/>
	406,522	–
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) Fair values of these investments were determined by reference to their quoted bid prices as at 30 June 2014.
- (b) On 20 January 2014, the Group subscribed for the Convertible Bonds with principal amount of HK\$80,000,000 at a consideration of HK\$80,000,000 from Mr. Kan. Afterwards, the Group entered into a conditional transfer deed (the “**Transfer Deed**”) dated 21 June 2014 in relation to the disposal of the Convertible Bonds for a cash consideration of HK\$380,000,000 (the “**Disposal**”). The Transfer Deed was entered into between Key Fit and an individual third party (the “**Purchaser**”). Key Fit shall transfer (i) 60% of the aggregate amount of the Convertible Bonds (i.e. HK\$48,000,000) together with all rights, interests and benefits attached thereto (the “**Transfer Interest**”) to the Purchaser by 31 July 2014 or such later date as agreed by Key Fit and the Purchaser; and (ii) 40% of the aggregate amount of the Convertible Bonds (i.e. HK\$32,000,000) together with the Transfer Interest to the Purchaser by 31 August 2014 or such later date as agreed by Key Fit and the Purchaser. Therefore, the Disposal was not completed as at 30 June 2014. The fair value of the Convertible Bonds of HK\$380,000,000 was determined based on the consideration of the Disposal.

On 31 July 2014, 60% of the Disposal was completed.

10. ACCRUED CHARGES AND OTHER PAYABLES

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Accrued charges	516	461
Other payables	40,000	–
	<hr/>	<hr/>
	40,516	461
	<hr/> <hr/>	<hr/> <hr/>

Other payables of HK\$40,000,000 represented the deposit received from the Purchaser in relation to the Disposal.

11. CONVERTIBLE NOTES

On 15 January 2008, the Company and Mr. Kan entered into a subscription agreement (the “**Subscription Agreement**”) pursuant to which the Company had conditionally agreed to issue and Mr. Kan had conditionally agreed to subscribe for the zero-coupon and non-redeemable convertible notes (the “**Convertible Notes**”) of the Company in an aggregate principal amount of HK\$358 million. The conversion price is HK\$0.0386 per Share. Assuming that the conversion rights attached to the Convertible Notes are exercised in full at the conversion price of HK\$0.0386 per Share, an aggregate of 9,274,611,398 Shares will be issued.

Completion of the Subscription Agreement took place on 13 February 2008 and the Convertible Notes were issued by the Company to Mr. Kan pursuant to the Subscription Agreement on the same date. The subscription price of the Convertible Notes of HK\$358 million was satisfied in part of approximately HK\$318 million by setting off the full amount of (i) the bank overdraft and borrowings of approximately HK\$256 million and the debt of approximately HK\$59 million due to a supplier which had been assigned to Mr. Kan; and (ii) the loan of approximately HK\$3 million advanced by Mr. Kan, against such amount of the subscription price of the Convertible Notes on a dollar for dollar basis. The remaining balance of the subscription price of approximately HK\$40 million was settled in cash, which was used as general working capital of the Group. The maturity date of the conversion rights attached to the Convertible Notes was 13 February 2013, being the date falling on the fifth anniversary from the date of issue of the Convertible Notes. As the compulsory conversion of the outstanding principal amount of the Convertible Notes on the maturity date rendered the then issued Shares held in the public hands being less than the minimum public float as required under the Listing Rules, the maturity date of the conversion rights attached to the Convertible Notes was renewed automatically for successive term of one year to 13 February 2014.

The outstanding principal amount of the Convertible Notes as at 1 January 2013, 30 June 2013 and 31 December 2013 was HK\$100,000,000.

Pursuant to a resolution of the board of the Company passed on 13 February 2014, Mr. Kan and the Company agreed that the exercise of the balance of conversion rights attaching to the Convertible Notes of HK\$100,000,000 would be extended to 31 March 2014, accordingly, an aggregate of 2,590,673,575 Shares were allotted and issued to Mr. Kan on 31 March 2014.

12. BANKING FACILITIES

As at 30 June 2014, the banking facilities of a subsidiary were secured by mortgages over the Group's investment properties with an aggregate carrying value of HK\$84,878,000 (31 December 2013: HK\$84,878,000) and corporate guarantee provided by the Company. Such banking facilities amounted to HK\$70,000,000 were not utilised as of 30 June 2014 and 31 December 2013.

13. CONTINGENT LIABILITIES

Financial guarantee issued

As at 30 June 2014, the Company has issued guarantee amounted to HK\$70,000,000 (31 December 2013: HK\$70,000,000) to a bank in respect of banking facilities granted to a wholly owned subsidiary.

The Group did not have any significant contingent liabilities as at 30 June 2014.

14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The held for trading investments held by the Group are carried at fair value. All other financial assets and liabilities are carried at amortised cost and approximate their respective fair values due to the relatively short-term nature of these financial instruments.

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:—

Level 1: Fair value measured using unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2: Fair value measured using observable inputs and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3: Fair value measured using significant unobservable inputs.

	At 30 June 2014 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets				
Held for trading investments	<u>26,522</u>	<u>380,000</u>	<u>—</u>	<u>406,522</u>

Level 2 fair value of financial instruments classified as held for trading investments have been determined based on the cash consideration stated in the Transfer Deed in relation to the Disposal.

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Financial Review

During the Period, turnover of the Group recorded approximately HK\$339 million, as compared to a loss of approximately HK\$7 million in the corresponding period in 2013. The significant increase in turnover was primarily attributable to the realised and unrealised gain on held for trading investments. During the Period, the Group purchased 152,050,000 shares and convertible bonds (the “**Convertible Bonds**”) in the principal amounts of HK\$80,000,000 of Warderly at a consideration of HK\$87,602,500 from Mr. Kan. Shortly afterwards, the Group entered into a conditional transfer deed dated 21 June 2014 in relation to disposal of the Convertible Bonds for a cash consideration of HK\$380,000,000 and disposed of 58,000,000 shares of Warderly to the market. Together with the realised and unrealised gain on trading of listed securities, the realised and unrealised gain on held for trading investments was HK\$338 million during the Period while the unrealised loss on held for trading investments was HK\$13 million for the previous corresponding period.

For the segment of properties investment, the Group holds three residential properties located in Kwu Tung, Central Mid-levels and Repulse Bay. Same as the previous corresponding period, only the residential property located in Central Mid-levels derived rental income of HK\$70,000 per month while the other two residential properties located in Kwu Tung and Repulse Bay remain vacant. The Group continues to seek for tenants of the vacant properties for rental income purpose.

Besides the existing businesses, since 2013, the Company has engaging great effort in negotiations with governments in various provinces in the People’s Republic of China (the “**PRC**”) and other parties in relation to the development of the liquefied natural gas (the “**LNG**”) businesses in the PRC. During the Period, the Company entered into 5 strategic cooperation framework agreements/letters of intent in relation to the development of the LNG businesses. On 27 March 2014, the Company entered into the strategic cooperation agreement with Ping An Securities Limited 平安證券有限責任公司在 relation to provision of integrated financial services for developing the LNG businesses in the PRC. On 31 March 2014, the Company entered into the letter of intent with CNOOC Yunnan Energy Corporation Limited 中海油雲南能源有限公司 and Yongping Business Bureau 永平商務局 commissioned by the People’s Government of Yongping County in relation to the possible cooperation in developing the LNG businesses in Yongping County, Yunnan Province in the PRC. On 22 April 2014, the Company entered into a strategic cooperation framework agreement with Administrative Committee of Suzhou Zhong Lu International Logistics Technology Park 蘇州中鱸國際物流科技園管委會 in relation to transformation of vessels, heavy vehicles and public vehicles from using fuel to LNG and construction of LNG refueling stations and docks in Pingwang, Suzhou, Jiangsu Province in the PRC. On 25 June 2014 and 26 June 2014, the Company entered into strategic cooperation framework agreements with Jiangsu Nantong Binhai Park Management Committee 江蘇南通濱海園區管理委員會 and Nantong Economic & Technological Development Area Management Committee 南通市經濟技術開發區管理委員會 in relation to investment in the projects of application of LNG in Jiangsu Nantong Binhai Park 江蘇南通濱海園區 and Nantong Economic & Technological Development Area 南通市經濟技術開發區 respectively in Nantong City, Jiangsu Province in the PRC.

Prospects

China is one of the largest energy consumers worldwide. In order to control the haze pollution and improve air quality, natural gas will play a major role in sectors of large coal consumption in China in the immediate future. Besides the existing businesses, since 2013, the Company has putting effort in negotiations with many parties, including many government departments in various provinces in the PRC, a stated owned enterprise which engaged in exploration, development, production and sales of crude oil and natural gas and other petroleum products, manufacturers of the LNG vehicles, logistic companies and passengers transportation companies, in relation to development of the LNG businesses in the PRC. The Company plans to set up joint venture companies with the above stated owned enterprise for developing the LNG businesses.

Except the framework agreements/letters of intent mentioned in “Business Review and Financial Review”, on 28 July 2014, the Company entered into a strategic cooperation framework agreement with Shanghai Fargo Supply Chain Management (Group) Limited 上海遠行供應鏈管理(集團)有限公司, a subsidiary of Shaanxi Automobile Holding Group Company Limited 陝西汽車控股集團有限公司, in relation to, among others, provision of LNG heavy trucks or replacement of LNG heavy trucks. On 29 July 2014, the Company entered into a strategic cooperation framework agreement with Xuzhou Construction Machinery Group Limited 徐州工程機械集團有限公司 in relation to purchase of LNG engineering machinery vehicles and cooperation to invest in the capital markets. On 4 August 2014, the Company entered into a strategic cooperation framework agreement with Xuzhou Transportation Bureau 徐州市交通運輸局 in relation to investment in the projects of application of LNG in Xuzhou City, Jiangsu Province in the PRC.

Liquidity and financial resources

The Group had total cash and bank balances of approximately HK\$106 million as at 30 June 2014 (31 December 2013: approximately HK\$170 million). There was no short-term borrowing as at 30 June 2014 and 31 December 2013 and no gearing ratio of the Group was calculated. Net assets were approximately HK\$502 million as at 30 June 2014 (31 December 2013: approximately HK\$255 million).

The Group recorded total current assets value of approximately HK\$514 million as at 30 June 2014 (31 December 2013: approximately HK\$171 million) and total current liabilities value of approximately HK\$97 million (31 December 2013: approximately HK\$1.5 million). The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was about 5.30 as at 30 June 2014 (31 December 2013: approximately 117.89).

INTERIM DIVIDEND

The Board have resolved to recommend a interim dividend of HK0.2 cents (2013: nil) per share (“Share”) of the Company in cash distributed from the share premium account of the Company for the six months ended 30 June 2014 to shareholders whose names appear on the register of members of the Company on 3 November 2014. As at 30 June 2014, the Company’s share premium account was approximately HK\$528,831,000. After the payment of the interim dividend, assuming there are no other changes to the share premium account, the Company’s share premium account is expected to be reduced to approximately HK\$506,277,000.

The proposed interim dividend is subject to the approval of the Company’s shareholders at the forthcoming extraordinary general meeting to be held on 23 October 2014. The interim dividend will be paid on or about 19 November 2014.

The register of members of the Company will be closed from 30 October 2014 to 3 November 2014, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed interim dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:00 p.m. on 29 October 2014.

FOREIGN EXCHANGE EXPOSURE

Transactions of the Group were mainly denominated in Hong Kong dollars. Most of the Group’s monetary assets and liabilities were denominated in Hong Kong dollars. No material exposure to foreign exchange risk was expected for the Period. The Directors will continue to evaluate the Group’s foreign currency exposure and take actions as appropriate.

TREASURY POLICIES

Bank balances and cash held by the Group were denominated in Hong Kong dollars. The Group currently does not have a foreign currency and interest rate hedging policy. However, the management of the Group monitors foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign currency and interest rate exposure should the need arise.

PLEDGE OF ASSETS

As at 30 June 2014, investment properties with a carrying value of approximately HK\$85 million (31 December 2013: HK\$85 million) were pledged to secure banking facilities granted to the Group. Details of the Group’s pledged assets for the Period are set out in note 8 to this announcement.

SHARE CAPITAL

As at 30 June 2014, the issued share capital of the Company comprised 11,276,941,396 ordinary Shares of HK\$0.01 each.

SIGNIFICANT INVESTMENTS

During the Period, the Group acquired equity securities listed in Hong Kong and debt securities of a listed entity in Hong Kong of approximately HK\$88 million of which approximately HK\$3 million had been disposed of. As at 30 June 2014, the held for trading investments represented the equity securities listed in Hong Kong and debt securities of a listed entity in Hong Kong at fair value of approximately HK\$407 million. Details of the performance of these listed securities are set out in Note 3 to this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries or associated companies during the Period.

SEGMENTAL INFORMATION

Details of segmental information for the Period are set out in Note 3 to this announcement.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2014.

STAFF AND REMUNERATION POLICIES

As at 30 June 2014, the Group had 8 employees (31 December 2013: 5 employees). The Group's total staff costs amounted to approximately HK\$673,000 (2013: HK\$754,000) for the Period. The Group remunerated its employees mainly based on industry practice and individual's performance and experience.

Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual's performance. Other benefits include retirement schemes.

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

Neither the Company nor any of its subsidiaries purchased or sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "Audit Committee") include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2014.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong.

CORPORATE GOVERNANCE REPORT

The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the Period, except for the following deviations:

1. Code Provision A.2.1

Under code provision A2.1, the role of chairman and chief executive officer should be separate. The positions of chairman and chief executive officer of the Company were held by Mr. Kan during the Period. The Board believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. The board has full confidence in Mr. Kan and believes that his dual roles will be beneficial to the Group.

2. Code Provision A.4.1 and A.4.2

Under code provision A.4.1 and A.4.2, non-executive Directors should be appointed for specific term and each Director should be subject to retirement by rotation at least once every three years. The independent non-executive Directors (the “INEDs”) are not appointed for a specific term, but they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company at least once every three years.

3. Code Provision A.6.7

Under the Code Provision A.6.7, non-executive directors, including independent non-executive directors, should attend general meetings. One of the INEDs, namely Mr. Lee Kong Leong was unable to attend the extraordinary general meeting (the “EGM”) of the Company held on 24 April 2014 as he had other business engagements. However, he subsequently requested the company secretary of the Company to report to him on the views of the shareholders of the Company in the EGM. As such, the Board considers that the development of a balanced understanding of the views of shareholders of the Company among the INEDs was ensured.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 June 2014.

On behalf of the Board
Kan Che Kin, Billy Albert
Chairman

Hong Kong, 27 August 2014

As at the date of this announcement, the Board comprises Mr. Kan Che Kin, Billy Albert, Ms. Li Shu Han, Eleanor Stella and Mr. Li Kai Yien, Arthur Albert, all being the executive Directors and Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong, all being the independent non-executive Directors.

* *For identification purposes only*