

中國天然氣集團有限公司 CHINA LNG GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

2014
Interim Report

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) 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)
		338,654	(7,141)
Other income		842	186
Administrative expenses		(3,409)	(2,935)
Profit/(loss) from operations		336,087	(9,890)
Finance costs	4(a)	–	(25)
Profit/(loss) before taxation	4	336,087	(9,915)
Taxation	5	(55,400)	(37)
Profit/(loss) for the period attributable to equity shareholders of the Company		280,687	(9,952)
Other comprehensive income for the period		–	–
Total comprehensive income/(loss) for the period attributable to equity shareholders of the Company		280,687	(9,952)
Earnings/(loss) per share (HK cents)			
– Basic	7	2.8060	(0.1146)
– Diluted		N/A	N/A

The notes on pages 5 to 21 form part of this interim financial report. 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

	Notes	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
		85,304	85,379
Current assets			
Held for trading investments	9	406,522	–
Prepayments and deposits		997	986
Bank balances and cash		106,038	170,186
		513,557	171,172
Current liabilities			
Accrued charges and other payables	10	40,516	461
Income tax payable		56,391	991
		96,907	1,452
Net current assets			
		416,650	169,720
Total assets less current liabilities			
		501,954	255,099
Non-current liability			
Deferred tax liability		144	144
Net assets			
		501,810	254,955
Capital and reserves			
Share capital	11	112,769	86,863
Reserves		389,041	168,092
Shareholders' funds			
		501,810	254,955

The notes on pages 5 to 21 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014

	Share capital	Share premium	Special reserve	Convertible notes reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	86,863	505,941	9,370	100,000	(415)	(450,032)	251,727
2012 final dividend declared and paid (Note 6)	-	(17,372)	-	-	-	-	(17,372)
Loss and total comprehensive loss for the period	-	-	-	-	-	(9,952)	(9,952)
At 30 June 2013 (Unaudited)	86,863	488,569	9,370	100,000	(415)	(459,984)	224,403
At 1 January 2014	86,863	488,569	9,370	100,000	(415)	(429,432)	254,955
Conversion of convertible notes	25,906	74,094	-	(100,000)	-	-	-
2013 final dividend declared and paid (Note 6)	-	(33,832)	-	-	-	-	(33,832)
Profit and total comprehensive income for the period	-	-	-	-	-	280,687	280,687
At 30 June 2014 (Unaudited)	112,769	528,831	9,370	-	(415)	(148,745)	501,810

The notes on pages 5 to 21 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(31,151)	(204,572)
NET CASH FROM INVESTING ACTIVITIES	835	122
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(33,832)	51,576
NET DECREASE IN CASH AND CASH EQUIVALENTS	(64,148)	(152,874)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	170,186	167,177
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	106,038	14,303

Notes to the Condensed Consolidated Financial Statements

1. CORPORATION INFORMATION

China LNG Group Limited (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.

Notes to the Condensed Consolidated Financial Statements

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 of Hong Kong Limited.

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.

Notes to the Condensed Consolidated Financial Statements

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 (note)	131,406	–
Gain/(loss) on fair value changes on held for trading investments	203,464	(13,107)
	338,654	(7,141)

Notes to the Condensed Consolidated Financial Statements

3. TURNOVER AND SEGMENT INFORMATION (continued)

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

Notes to the Condensed Consolidated Financial Statements

3. TURNOVER AND SEGMENT INFORMATION (continued)

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

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

Notes to the Condensed Consolidated Financial Statements

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
(b) Other items		
Depreciation of plant and equipment	82	138
Rental income less outgoings	(284)	(288)
Interest income	(842)	(186)

5. TAXATION

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

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.

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.

Notes to the Condensed Consolidated Financial Statements

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)	22,554	-

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)	33,832	17,372

Notes to the Condensed Consolidated Financial Statements

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 Number of Share	2013 Number 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		<u>2,590,673,575</u>
Weighted average number of Shares (diluted)		<u><u>11,276,941,396</u></u>

Notes to the Condensed Consolidated Financial Statements

8. INVESTMENT PROPERTIES

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) 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 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) 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 14).

Notes to the Condensed Consolidated Financial Statements

8. INVESTMENT PROPERTIES (continued)

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).

Notes to the Condensed Consolidated Financial Statements

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	–
	406,522	–

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.

Notes to the Condensed Consolidated Financial Statements

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	–
	40,516	461

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

11. SHARE CAPITAL

	2014		2013	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Shares of HK\$0.01 each				
Authorised:-				
At 1 January and at 30 June	40,000,000,000	400,000	40,000,000,000	400,000
Issued and fully paid:-				
At 1 January	8,686,267,821	86,863	8,686,267,821	86,863
Conversion of convertible notes (Note 12)	2,590,673,575	25,906	–	–
At 30 June	11,276,941,396	112,769	8,686,267,821	86,863

Notes to the Condensed Consolidated Financial Statements

12. 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.

Notes to the Condensed Consolidated Financial Statements

12. CONVERTIBLE NOTES (continued)

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.

13. RELATED PARTY TRANSACTIONS

- (a) Apart from the information as disclosed elsewhere in the condensed consolidated financial statements, the Group did not have other material transactions with its related parties during both periods.
- (b) Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:-

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term benefits	315	597
Post-employment benefits	-	8
	315	605

Notes to the Condensed Consolidated Financial Statements

14. 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.

15. OPERATING LEASE ARRANGEMENT

The Group as lessee:-

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:-

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	947	979
In the second to fifth year inclusive	-	457
	947	1,436

Operating lease payments represent rentals payable by the Group for its office premises. The lease is negotiated for a term of 3 years (31 December 2013: 3 years) and the lease is guaranteed by Mr. Kan.

Notes to the Condensed Consolidated Financial Statements

15. OPERATING LEASE ARRANGEMENT (continued)

The Group as lessor:–

At the end of the reporting period, the Group's future minimum lease payments under non-cancellable operating leases are receivable as follows:–

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Within one year	140	560

The lease is negotiated with a term of 2 years with fixed monthly rental (31 December 2013: 2 years). The lease does not include contingent rentals.

16. 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.

Notes to the Condensed Consolidated Financial Statements

17. 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)			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Held for trading investments	26,522	380,000	–	406,522

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.

Report on Review of Interim Financial Information



26/F, Citicorp Centre
18 Whitfield Road,
Causeway Bay,
Hong Kong

TO THE BOARD OF DIRECTORS OF CHINA LNG GROUP LIMITED (FORMERLY KNOWN AS ARTEL SOLUTIONS GROUP HOLDINGS LIMITED)

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 1 to 21 which comprises the condensed consolidated statement of financial position of China LNG Group Limited as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

PKF

Certified Public Accountants
Hong Kong
27 August 2014

Management Discussion and Analysis

Business Review and Financial Review

During the six months period ended 30 June 2014 (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.

Management Discussion and Analysis

Business Review and Financial Review (continued)

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.

Management Discussion and Analysis

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).

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 the condensed consolidated financial statements.

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 the condensed consolidated financial statements.

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 the condensed consolidated financial statements.

Management Discussion and Analysis

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.

DIRECTORS AND CHIEF EXECUTIVES INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO) or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock

Management Discussion and Analysis

DIRECTORS AND CHIEF EXECUTIVES INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), were as follows:

Long positions

Name of Director	Name of company in which interests were held	Nature of interests	Number of shares held	Approximate percentage of shareholding
Mr. Kan Che Kin, Billy Albert (“ Mr. Kan ”)	The Company	Beneficial owner	8,296,950,718 Shares	73.57%
Mr. Li Kai Yien, Arthur Albert	The Company	Beneficial owner	3,000,000 Shares	0.03%
Ms. Li Shu Han, Eleanor Stella	The Company	Beneficial owner	2,000,000 Shares	0.02%
Mr. Ip Woon Lai	The Company	Beneficial owner	1,000,000 Shares	0.01%

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2014.

Management Discussion and Analysis

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, so far as was known to the Directors and chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions

Name of shareholder	Number of Shares held	Approximate percentage of the Issue share capital of the Company
Mrs. Kan Kung Chuen Lai	8,296,950,718 Shares	73.57%

Note:

1. Mrs. Kan Kung Chuen Lai is the spouse of Mr. Kan. Therefore, she is deemed to be interested in the Shares held by Mr. Kan pursuant to the SFO.

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 June 2014.

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.

Management Discussion and Analysis

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 A.2.1, 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.

Management Discussion and Analysis

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.

BOARD OF DIRECTORS

As at the date of this report, 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.

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

Hong Kong, 27 August 2014