



# 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)

## Interim Report 2015

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Rental income	3	420	420
Dividend income from held for trading investments	3	753	–
Gain on disposal of held for trading investments	3	10,343	3,364
Gain on bargain purchase of held for trading investments	3	–	131,406
Gain on fair value changes of held for trading investments	3	3,158	203,464
Loss on fair value changes of derivative financial instrument	3	(44)	–
Interest income from finance lease arrangements	3	17	–
Service fee income	3	40	–
		<b>14,687</b>	338,654
Gain on disposal of investment properties		5,925	–
Other income		5,975	842
Selling and administrative expenses		(18,581)	(3,409)
Profit before taxation	4	<b>8,006</b>	336,087
Taxation	5	(1,800)	(55,400)
Profit for the period attributable to equity shareholders of the Company		<b>6,206</b>	280,687

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
Notes		(Unaudited) HK\$'000	(Unaudited) HK\$'000
	Other comprehensive income for the period, net of tax:–		
	Items that will be subsequently reclassified to profit or loss:–		
	Exchange differences on translating foreign operations	10	–
	Total comprehensive income for the period attributable to equity shareholders of the Company	6,216	280,687
	Earnings per share (HK\$)		
	– Basic and diluted	0.0001	0.01

The notes on pages 6 to 24 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 2015

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
<b>Non-current assets</b>			
Investment properties	8	65,300	86,700
Plant and equipment		4,623	2,171
Deposit for acquisition of plant and equipment		1,267	–
Receivables under finance lease arrangements	9	10,612	–
Deferred tax assets		34	34
		<b>81,836</b>	88,905
<b>Current assets</b>			
Held for trading investments	10	51,663	212,889
Receivables under finance lease arrangements	9	170,436	–
Prepayments and deposits		1,859	1,369
Restricted cash	11	15,967	–
Bank balances and cash		337,523	246,166
		<b>577,448</b>	460,424
<b>Current liabilities</b>			
Accrued charges and other payables	12	102,923	1,028
Derivative financial instrument	13	44	–
Dividend payable		22,554	–
Income tax payable		57,576	55,776
		<b>183,097</b>	56,804
<b>Net current assets</b>		<b>394,351</b>	403,620
<b>Total assets less current liabilities</b>		<b>476,187</b>	492,525
<b>Non-current liability</b>			
Deferred tax liability		224	224
<b>Net assets</b>		<b>475,963</b>	492,301
<b>Capital and reserves</b>			
Share capital	14	112,769	112,769
Reserves		363,194	379,532
<b>Shareholders' funds</b>		<b>475,963</b>	492,301

The notes on pages 6 to 24 form part of this interim financial report.

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	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 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
At 1 January 2015	112,769	506,277	9,370	-	(415)	(135,700)	492,301
2014 final dividend declared (Note 6)	-	(22,554)	-	-	-	-	(22,554)
Profit the the period	-	-	-	-	-	6,206	6,206
Other comprehensive income for the period, net of tax:- Exchange differences on translating foreign operations	-	-	-	-	10	-	10
Total comprehensive income for the period	-	-	-	-	10	6,206	6,216
At 30 June 2015 (Unaudited)	112,769	483,723	9,370	-	(405)	(129,494)	475,963

The notes on pages 6 to 24 form part of this interim financial report.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	66,564	(31,151)
NET CASH FROM INVESTING ACTIVITIES	24,783	835
NET CASH USED IN FINANCING ACTIVITIES	–	(33,832)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	91,347	(64,148)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	246,166	170,186
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	10	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	337,523	106,038

# 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 is located at 8/F, St. John’s Building, 33 Garden Road, Central, Hong Kong.

The Company is an investment holding company and the principal activities of the Group are properties investment, trading of securities, development of liquefied natural gas (“LNG”) businesses and provision of finance leasing services for LNG vehicles in the People’s Republic of China (the “PRC”) as approved by the Ministry of Foreign Trade and Economic Cooperation of the PRC in Mainland China.

# 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 2014, 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 2015. 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.

Two new significant accounting policies are adopted during the current period:–

- (i) Service fee income is recognised when services have been rendered.
- (ii) Derivative financial instrument is recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being pledged.

The Group had 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, net realised and unrealised gains or losses from trading of securities, interest income from finance lease arrangements and service fee income from leasing of LNG vehicles in the PRC, and is analysed as follows:-

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Rental income	<b>420</b>	420
Dividend income from held for trading investments	<b>753</b>	-
Gain on disposal of held for trading investments	<b>10,343</b>	3,364
Gain on bargain purchase of held for trading investments (note)	-	131,406
Gain on fair value changes of held for trading investments	<b>3,158</b>	203,464
Loss on fair value changes of derivative financial instrument	<b>(44)</b>	-
Interest income from finance lease arrangements	<b>17</b>	-
Service fee income	<b>40</b>	-
	<b>14,687</b>	338,654

# 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 Fullshare Holdings Limited (“Fullshare”), 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 (of HK\$0.05 per Fullshare’s Share) and convertible bonds (the “Convertible Bonds”) issued by Fullshare in the principal amount of HK\$80,000,000 Fullshare’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 Director’s decisions. For management purposes, the Group is organised into four operating divisions. These divisions are the basis on which the Group reports its segment information. Principal activities are as follows:–

- Development of LNG businesses
- Provision of finance leasing services for LNG vehicles
- Trading of securities
- Properties investment

## 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 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 business is set out below: –

	Development of LNG businesses		Provision of finance leasing services for LNG vehicles		Trading of securities		Properties investment		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
TURNOVER										
External	-	-	57	-	14,210	338,234	420	420	14,687	338,654
RESULT										
Segment result	(1,281)	(509)	(7,618)	-	13,481	337,236	5,925	52	10,507	336,779
Other operating income									165	842
Unallocated corporate expenses									(2,666)	(1,534)
Profit before taxation									8,006	336,087
Taxation									(1,800)	(55,400)
Profit for the period									6,206	280,687

The Group's operations of provision of finance leasing services for LNG vehicles and development of LNG businesses are located in the PRC and the remaining operations are located in Hong Kong during both periods.

## Notes to the Condensed Consolidated Financial Statements

### 4. PROFIT BEFORE TAXATION

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit before taxation has been arrived at after charging/(crediting):-		
Depreciation of plant and equipment	<b>370</b>	82
Rental income less outgoings	<b>(300)</b>	(284)
Interest income	<b>(1,547)</b>	(842)
Staff costs:-		
Directors' remuneration	<b>823</b>	90
Staff cost excluding directors' remuneration	<b>9,257</b>	559
Retirement benefits scheme contribution, excluding those included in directors' remuneration	<b>586</b>	24
	<b>10,666</b>	673

### 5. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Hong Kong Profits Tax	<b>1,800</b>	55,400

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

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 period: –

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interim dividend proposed after the end of the reporting period of HK\$Nil per share (2014: HK0.2 cents per share)	–	22,554

The interim dividend proposed after the end of the reporting period had not been recognised as a liability at the end of the preceding period.

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

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Final dividend in respect of the previous financial year, approved and paid or payable during the current interim period, of HK0.2 cents per share (six months ended 30 June 2014: HK0.3 cents per share)	<b>22,554</b>	33,832

# Notes to the Condensed Consolidated Financial Statements

## 7. EARNINGS PER SHARE

The calculation of weighted average number of shares of the Company (the “Shares”) for the purpose of earnings per Share (“EPS”) has taken into account the effect of the share subdivision of each of the issued and unissued Shares of HK\$0.01 each in the share capital of the Company into five subdivided shares of HK\$0.002 each (Note 20(d)) effective on 10 August 2015.

The weighted average number of Shares for EPS calculation represent (i) Basic EPS – the average number of Shares in issue during the current and preceding periods; (ii) Diluted EPS – the average number of Shares in issue during the preceding period as adjusted for potential diluted effect of 1,273,867,117 Shares to be allotted and issued upon the exercise in full of the conversion rights attaching to the outstanding convertible notes. There was no dilutive instrument during the current period. These calculations of weighted average number of Shares assume the aforementioned share subdivision was conducted at the beginning of the period on 1 January 2014.

The calculation of EPS attributable to equity shareholders of the Company for the period is based on the profit for the period of approximately HK\$6,206,000 (2014: HK\$280,687,000) and the weighted average number of (i) 56,384,706,980 (2014: 50,015,371,395) Shares in issue for basic EPS; (ii) 56,384,706,980 (2014: 51,289,238,512) Shares in issue for diluted EPS.

## 8. INVESTMENT PROPERTIES

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
At 1 January	<b>86,700</b>	84,878
Disposal	<b>(21,400)</b>	–
Fair value adjustment	–	1,822
At fair value	<b>65,300</b>	86,700

## Notes to the Condensed Consolidated Financial Statements

### 8. INVESTMENT PROPERTIES (continued)

As at 30 June 2015 and 31 December 2014, all of the Group's investment properties were located in Hong Kong and were built on land held under the following term leases:–

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
Medium-term leases	<b>43,200</b>	64,600
Long-term leases	<b>22,100</b>	22,100
	<b>65,300</b>	86,700

The carrying amount of the Group's investment properties as of 31 December 2014 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 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.

## Notes to the Condensed Consolidated Financial Statements

### 8. INVESTMENT PROPERTIES (continued)

The Directors have estimated that the fair values of the investment properties as at 30 June 2015 did not vary significantly from the professional valuation as of 31 December 2014. Accordingly, no fair value adjustment has been recognised in respect of the Group's investment properties for the six months ended 30 June 2015 (30 June 2014: Nil).

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 investment properties, measured at fair value using a valuation technique with significant unobservable inputs:–

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
At beginning of the period/year	<b>86,700</b>	84,878
Disposal	<b>(21,400)</b>	–
Effect of properties revaluation	–	1,822
At end of the period/year	<b>65,300</b>	86,700
Unrealised gain or losses recognised in profit or loss relating to those assets held at the end of the reporting period	–	1,822



## Notes to the Condensed Consolidated Financial Statements

### 9. RECEIVABLES UNDER FINANCE LEASE ARRANGEMENTS

The Group provides finance leasing services for LNG vehicles in the PRC. The receivables under these finance lease arrangements are aged as follows:-

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
Within one year	<b>170,436</b>	–
In the second to fifth years, inclusive	<b>10,612</b>	–
	<b>181,048</b>	–

The Group entered into several finance lease arrangements pursuant to which the lessees sold their vehicles to the Group and leased back the assets with lease period ranging from half year to 2 years from the date of inception. The ownership of leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and the interest accrued under the finance lease arrangements. The lessees retain control of the assets before and after entering into the arrangements. These finance lease arrangements do not constitute leases for accounting purposes.

As at 30 June 2015, the effective interest rates applicable to the finance lease arrangements ranged from approximately 4.36% to 7.61% per annum. The receivables were neither past due nor impaired and are secured by the leased vehicles. The Group has obtained guarantees provided by the controlling shareholders of the lessees and security deposits of approximately HK\$747,000 for certain finance lease arrangements. The lessees are obliged to settle the amounts according to the terms set out in the relevant agreements.

## Notes to the Condensed Consolidated Financial Statements

### 10. HELD FOR TRADING INVESTMENTS

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
Equity securities listed in Hong Kong, at fair value	<b>51,663</b>	212,889

Fair values of these investments were determined by reference to their quoted bid prices as at 30 June 2015 and 31 December 2014.

### 11. RESTRICTED CASH

As at 30 June 2015, restricted cash denominated in Hong Kong dollars represented a margin deposit pledged to a bank to secure the Group's derivative financial instrument (Note 13).

### 12. ACCRUED CHARGES AND OTHER PAYABLES

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
Accrued charges	<b>648</b>	1,028
Other payables	<b>102,275</b>	–
	<b>102,923</b>	1,028

Other payables of HK\$100,000,000 represented the deposit received from the purchasers in relation to the disposal of 48.92% shareholding of Key Fit (Note 20(a)).

## Notes to the Condensed Consolidated Financial Statements

### 13. DERIVATIVE FINANCIAL INSTRUMENT

	<b>As at 30 June 2015 (Unaudited) HK\$'000</b>	As at 31 December 2014 (Audited) HK\$'000
Hang Seng Index Futures	<b>44</b>	–

Fair value of the derivative financial instrument was determined by reference to their quoted bid prices as at 30 June 2015.

### 14. SHARE CAPITAL

	2015		2014	
	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	<b>40,000,000,000</b>	<b>400,000</b>	40,000,000,000	400,000
Issued and fully paid:-				
At 1 January	<b>11,276,941,396</b>	<b>112,769</b>	8,686,267,821	86,863
Conversion of convertible notes (Note 15)	–	–	2,590,673,575	25,906
At 30 June	<b>11,276,941,396</b>	<b>112,769</b>	11,276,941,396	112,769

## Notes to the Condensed Consolidated Financial Statements

### 15. 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 Conversion 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 and 31 December 2013 was HK\$100,000,000.

# Notes to the Condensed Consolidated Financial Statements

## 15. 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.

There was no outstanding amount of the Convertible Notes as at 31 December 2014.

## 16. 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: –

	<b>Six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short-term benefits	<b>1,075</b>	315

## Notes to the Condensed Consolidated Financial Statements

### 17. 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: –

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Within one year	<b>3,948</b>	914
In the second to fifth year inclusive	<b>6,324</b>	–
	<b>10,272</b>	914

Operating lease payments represent rentals payable by the Group for its office premises. The leases are negotiated for terms from 1 year to 3 years (2014: 3 years) and does not include contingent rentals. One of the leases is guaranteed by Mr. Kan.

### 18. CAPITAL COMMITMENT

At the end of the reporting period, the Group had the following capital commitment at the end of the reporting period:-

	<b>30 June 2015 (Unaudited) HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Contracted, but not provided for:- Acquisition of plant and equipment	<b>1,658</b>	–

# Notes to the Condensed Consolidated Financial Statements

## 19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The held for trading investments and derivative financial instrument 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 2015 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Financial assets</b>				
Held for trading investments	51,663	–	–	51,663
<b>Financial liabilities</b>				
Derivative financial instrument	44	–	–	44

During the six months ended 30 June 2015, 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.

## Notes to the Condensed Consolidated Financial Statements

### 20. EVENTS AFTER THE REPORTING PERIOD

- (a) Pursuant to the sale and purchase agreement dated 18 May 2015 entered into between the Company and several purchasers, the Company disposed 48.92% of the issued share capital of Key Fit for a total consideration of HK\$1,000,000,000 (the "Disposal"). The Disposal was partially completed such that completion of the sale and purchase of 85,616,441 shares of Key Fit (representing approximately 12.23% of the issued share capital of Key Fit after increasing the share capital of Key Fit to HK\$700 million (the "Subscription")) took place on 21 August 2015. The remaining purchasers (the "Remaining Purchasers") of the Disposal are undergoing negotiations with the Company in respect of an aggregate of 256,849,316 shares of Key Fit (representing approximately 36.69% of the issued share capital of Key Fit after the completion of the Subscription) for an extension of the completion date or otherwise, the forfeiture of the respective deposit paid by the Remaining Purchasers upon the signing of the sale and purchase agreement.
- (b) On 27 July 2015, the Company entered into a joint venture ("JV") agreement (the "JV Agreement") with 華強天然氣發展集團有限公司 (Huaqiang Natural Gas Development Group Limited\*) ("Huaqiang Natural Gas") in relation to the formation of a JV company in the PRC to be principally engaged in the development and operation of oil-to-gas conversion and LNG refueling facilities on floating barges, development of LNG related technologies, operation of LNG refueling stations, trading of gas ignition equipment and the development and utilisation of new energy sources. Pursuant to the JV Agreement, the registered capital of the JV company shall be RMB100 million, which will be contributed as to RMB60 million by the Company through 港能投資(上海)有限公司 (China LNG Investment (Shanghai) Co., Ltd\*), a wholly-owned subsidiary of the Company which is being established, and RMB40 million by Huaqiang Natural Gas, representing 60% and 40% of the total registered capital of the JV company respectively.



## Notes to the Condensed Consolidated Financial Statements

### 20. EVENTS AFTER THE REPORTING PERIOD (continued)

- (c) On 31 July 2015, 港能投資(上海)有限公司(China LNG Investment (Shanghai) Co., Ltd.\*) was established in Shanghai with registered capital of US\$100,000,000. It is engaged in investment in natural gas midstream and upstream projects comprising development and operation of oil-to-gas conversion and LNG refuelling facilities, development of LNG related technologies, operation of LNG refuelling stations, trading of gas ignition equipment and the development and utilisation of new energy sources.
- (d) Pursuant to the poll results of the extraordinary general meeting held on 7 August 2015, the share subdivision of each of the issued and unissued shares of the Company of HK\$0.01 each in the share capital of the Company be subdivided into 5 subdivided shares of HK\$0.002 each (the "Share Subdivision") was approved, confirmed and ratified. The Share Subdivision was effective from 10 August 2015.
- (e) On 1 August 2015, the Company and several vendors (the "Vendors") entered into an acquisition agreement, pursuant to which the Company has conditionally agreed to purchase and the Vendors have conditionally agreed to sell, a total of 51% equity interests in 上海亞東盛進出口有限公司 (Shanghai Asian Development Prosperous Import & Export Company Limited\*) (the "Target Company", together with its subsidiaries, the "Target Group"), a company established under the laws of PRC with limited liability, for a total consideration of RMB18,000,000 (the "Acquisition"). The consideration will be settled by the Company in full in cash. The Target Group is principally engaged in the provision of business advisory and supply chain management services and the trading of different types of merchandise including automobiles, food products and cosmetic products from well-known international brands. Upon completion, members of the Target Group will become non-wholly-owned-subsidiaries of the Company and the results, assets and liabilities of the Target Group will be consolidated into the financial statements of the Group.

# 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**

*(Incorporated in the Cayman Islands with limited liability)*

### **Introduction**

We have reviewed the interim financial information set out on pages 1 to 24 which comprises the condensed consolidated statement of financial position of China LNG Group Limited as of 30 June 2015 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  
28 August 2015

# Management Discussion and Analysis

## BUSINESS REVIEW AND PROSPECT

During the six months period 30 June 2015 (the “Period”), the Group has expanded its business segment into finance leasing in the PRC through establishing China LNG Finance Leasing Company Limited\* (港能國際融資租賃有限公司) (“CLNG Finance”) in February 2015. For the purpose of developing the finance leasing business, the Group has employed over 40 staff in the People Republic’s of China (the “PRC”) with high qualification and extensive working experience in banks, the PRC government and listed companies. During the Period, the new management team has focused on formulating development plans and procedures on finance leasing business of LNG vehicles, vessels and equipment in the PRC. After completion of the said preparation work, the Group has commenced its finance leasing business of LNG vehicles in May 2015. Apart from the main office in Shanghai, the Group has set up three branch offices in Tianjin, Zhejiang and Shenzhen during the Period. In addition, the Group is setting up a branch office of CLNG Finance in Shandong.

In addition to the finance leasing business, the Group will also make investment in other LNG related businesses, such as acquisition and/or construction of LNG terminals and interchange stations and LNG refueling facilities, development of LNG related technologies, operation of LNG refueling stations, trading of gas ignition equipment and development and utilisation of new energy sources by means of formation of joint ventures or in cooperation with companies in the PRC.

On 27 July 2015, the Company entered into the joint venture agreement with 華強天然氣發展集團有限公司 (Huaqiang Natural Gas Development Group Limited\*), a company established in the PRC with limited liability in relation to the formation of the joint venture company in the PRC to be principally engaged in the development and operation of oil-to-gas conversion and LNG refueling facilities on floating barges, development of LNG related technologies, operation of LNG refueling stations, trading of gas ignition equipment and the development and utilisation of new energy sources. Through various policy initiatives in recent years, the PRC government has been encouraging the use of low carbon emission energy source for different industries. Despite the fact that LNG is an efficient, clean and low-carbon emission energy source, the shipping industry in the PRC is still being dominated by diesel powered vessels. The Directors therefore are optimistic about the prospect of LNG and natural gas in the shipping market.

## Management Discussion and Analysis

### BUSINESS REVIEW AND PROSPECT (continued)

On 1 August 2015, the Company entered into an acquisition agreement, pursuant to which, the Company has conditionally agreed to purchase a total of 51% equity interests in 上海亞東盛進出口有限公司 (Shanghai Asian Development Prosperous Import & Export Company Limited\*) ("Shanghai Asian Development"), a company established under the laws of PRC with limited liability for a total consideration of RMB18 million. Shanghai Asian Development is principally engaged in the provision of business advisory and supply chain management services and the trading of different types of merchandise including automobiles, food products and cosmetic products from well-known international brands. With the support of Shanghai Asian Development, the Directors believe that there will be a large room for cooperation between the Group and Shanghai Asian Development in the provision of one-stop supply chain management solutions to environmentally conscious multinational corporations. The Directors are optimistic about the prospect of the Group and verily believe that the Group can (i) increase the coverage of its finance leasing business in a fast and cost-effective manner through the network of service points of Shanghai Asian Development; and (ii) leverage on the large and diverse customer base of Shanghai Asian Development to accelerate the development of the Group's finance leasing business.

Besides the finance leasing business, the Group has continued to operate its core business segments of trading of securities and property investment during the Period. The segment of trading of securities and property investment maintained a good or stable contribution to the Group's revenue during the Period.

In respect of the property investment business, in April 2015, an investment property of the Group located at Kwu Tung was disposed at a consideration of HK\$27,500,000 and it generated a gain on disposal of approximately HK\$6 million for the Period. The Group held two residential properties in Hong Kong, one of which was leased out with a rent of HK\$70,000 per month, and the other one remained vacant. The Group will continue to seek for tenants of the vacant property provided that there is a good price offered.

## Management Discussion and Analysis

### BUSINESS REVIEW AND PROSPECT (continued)

In order to expand the business segment in trading of securities, on 18 May 2015, the Company has engaged in the disposal of 48.92% shareholding of Key Fit Group Limited ("Key Fit"), a wholly owned subsidiary of the Company principally engaged in trading of securities, to several individual third parties for a consideration of HK\$1,000,000,000 (the "Disposal") with one of the conditions that the share capital of Key Fit would be increased to HK\$700,000,000 (the "Subscription") before the completion of the Disposal. On 12 August 2015, the share capital of Key Fit was increased to HK\$700,000,000. On 21 August 2015, the Disposal has been partially completed such that completion of the sale and purchase of 85,616,441 shares of Key Fit representing approximately 12.23% of the issued share capital of Key Fit after completion of the Subscription. The Company is undergoing negotiations with the purchasers for the remaining portion of the Disposal, representing an aggregate of 256,849,316 shares of Key Fit and approximately 36.69% of the issued share capital of Key Fit after completion of the Subscription, for an extension of the completion date or otherwise, the forfeiture of the respective deposit paid.

After the Subscription, the net asset value of Key Fit was approximately HK\$1,000,000,000. The Group will continue to operate its trading of securities listed on the stock market in Hong Kong with larger scale by setting up an investment team. In addition to the trading of securities business, the Group plans to apply for licences to carry out type 1 (Dealing in Securities), type 4 (Advising on Securities), type 8 (Securities Margin Financing) and type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance to diversify its trading portfolio and expand its trading of securities business.

The Directors are optimistic about the future development of the Group.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Turnover

During the Period, the turnover of the Group amounted to approximately HK\$14,687,000, which decreased substantially as compared with approximately HK\$338,654,000 for the six months ended 30 June 2014. Such decrease was mainly attributable to the fact there was a net bargain purchase gain on acquisition of shares (the “Fullshare Shares”) and convertible bonds (the “Convertible Bonds”) of Fullshare Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, and realised gain on disposal of the Convertible Bonds in total of approximately HK\$334,000,000 recognised in the previous correspondence period.

### Other income

Other income for the Period were approximately HK\$5,975,000, which mainly included the interest income of HK\$1,550,000 and foreign exchange gain of approximately HK\$4,420,000, represented an increase of approximately 609.6% from approximately HK\$842,000 for the six months ended 30 June 2014. Such increase in other income was primarily attributable to the addition of foreign exchange gain generated from converting bank deposit in USD to Renminbi at favourable exchange rates in the PRC.

### Selling and administrative expenses

Selling and administrative expenses for the six months ended 30 June 2015 amounted to approximately HK\$18,581,000, when compared with that of approximately HK\$3,409,000 in the corresponding period of 2014, representing an increase of 445.1%. The increase was mainly attributable to the commencement of the Group’s finance leasing business in February 2015 and increase in directors’ remuneration for the addition of the new Directors and travelling expenses of the Group in relation to development of the LNG businesses. The selling and administrative expenses driven from the finance leasing business was amounting to approximately HK\$13,000,000 mainly comprising staff salaries, office rental expenses, legal and professional fee and consultation fee, etc.

# Management Discussion and Analysis

## FINANCIAL REVIEW (continued)

### Profit before tax

Based on the above factors, the Group's profit before tax decreased from approximately HK\$336,087,000 for the six months ended 30 June 2014 to approximately HK\$8,006,000 for the six months ended 30 June 2015, representing a decrease of approximately 97.6%.

### Taxation

During the Period, the Group's taxation amounted to approximately HK\$1,800,000, representing a significant decrease from approximately HK\$55,400,000 in the corresponding period, which mainly attributed to significant decrease in taxable income driven from trading of securities segment.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and bank balances of approximately HK\$338 million as at 30 June 2015 (31 December 2014: approximately HK\$246 million). There was no other short-term borrowing as at 30 June 2015 and 31 December 2014, no gearing ratio of the Group as at 30 June 2015 and 31 December 2014 was calculated. Net assets were approximately HK\$476 million as at 30 June 2015 (31 December 2014: approximately HK\$492 million).

The Group recorded total current assets value of approximately HK\$577 million as at 30 June 2015 (31 December 2014: approximately HK\$460 million) and total current liabilities value of approximately HK\$183 million as at 30 June 2015 (31 December 2014: approximately HK\$57 million). The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was approximately 3.15 as at 30 June 2015 (31 December 2014: approximately 8.1).

## INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend (2014: HK0.2 cents per Share) for the Period.

## Management Discussion and Analysis

### FOREIGN EXCHANGE EXPOSURE

Transactions of the Group were mainly denominated in Hong Kong dollars, Renminbi (“RMB”) and United States dollars (“US\$”) and therefore the Group is exposed to foreign currency risk on the receivables under finance lease arrangements, deposits and prepayments and bank balances and cash of the Group which are denominated in foreign currencies of RMB and US\$. The functional currencies of the relevant group entities are HK\$ and RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the directors monitor the related foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

### TREASURY POLICIES

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

### PLEDGE OF ASSETS

The Group had no pledged assets as at 30 June 2015.

### SHARE CAPITAL

As at 30 June 2015, the issued share capital of the Company comprised 11,276,941,396 ordinary Shares of HK\$0.01 each.



## Management Discussion and Analysis

### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES**

During the Period, on 18 May 2015, the Company has engaged in the disposal of 48.92% shareholding of Key Fit to several individual third parties for a consideration of HK\$1,000,000,000. On 21 August 2015, the Disposal has been partially completed such that completion of the sale and purchase of 85,616,441 shares of Key Fit representing approximately 12.23% of the issued share capital of Key Fit after completion of the Subscription. The Company is undergoing negotiations with the purchasers for the remaining portion of the Disposal, representing an aggregate of 256,849,316 shares of Key Fit and approximately 36.69% of the issued share capital of Key Fit after completion of the Subscription, for an extension of the completion date or otherwise, the forfeiture of the respective deposit paid.

Save as disclosed, the Group had no material acquisition or disposal of subsidiaries or associated companies during the Period.

### **SEGMENTAL INFORMATION**

Details of segmental information for Period are set out in note 3 to the condensed consolidated financial statements.

### **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 30 June 2015.

### **STAFF AND REMUNERATION POLICIES**

As at 30 June 2015, the Group had approximately 55 employees (31 December 2014: 17 employees). The Group's total staff costs amounted to approximately HK\$10,666,000 (2014: HK\$673,000) 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.

## Management Discussion and Analysis

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

As at 30 June 2015, 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 Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

Name of Director	Name of company in which interests were held	Nature of interests	Long position/ Short position	Number of Share held	Approximate percentage of shareholding
Mr. Kan Che Kin, Billy Albert	The Company	Beneficial owner	Long position	7,973,365,718 Shares	70.71%
	The Company	Interest of controlled corporation	Long position	3,700,000 Shares (Note 1)	0.03%
	The Company	Beneficial owner	Short position	95,000,000 Shares	0.84%
Mr. Chen Li Bo	The Company	Beneficial owner	Long position	40,000,000 Shares	0.35%
Mr. Lam Lee G	The Company	Beneficial owner	Long position	20,000,000 Shares	0.18%
Mr. Simon Murray	The Company	Beneficial owner	Long position	10,000,000 Shares	0.09%
Ms. Li Shu Han, Eleanor Stella	The Company	Beneficial owner	Long position	1,000,000 Shares	0.01%
Mr. Li Kai Yien, Arthur Albert	The Company	Beneficial owner	Long position	400,000 Shares	0.004%

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 2015.

## Management Discussion and Analysis

### SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, 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.

Name of Shareholder	Name of company in which interests were held	Nature of interests	Long position/ Short position	Number of Share held	Approximate percentage of shareholding
Ms. Kan Kung	The Company	Interest of spouse	Long position	7,977,065,718 Shares	70.74%
Chuen Lai (Note 1)	The Company	Interest of spouse	Short position	95,000,000 Shares	0.84%

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 2015.

### 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 2015.

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

# 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 non-executive Directors (the "NEDs") and 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 INED, namely Mr. Lee Kong Leong and two NEDs, namely Dr. Lam, Lee G. and Mr. Simon Murray were unable to attend the annual general meeting (the "AGM") of the Company held on 21 May 2015 as they had other business engagements. However, all three of them subsequently requested the company secretary of the Company to report to them on the views of the shareholders of the Company in the AGM. As such, the Board considers that the development of a balanced understanding of the views of shareholders of the Company among the INEDs and NEDs were 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 2015.

### BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Kan Che Kin, Billy Albert, Mr. Chen Li Bo, Ms. Li Shu Han, Eleanor Stella and Mr. Li Kai Yien, Arthur Albert, all being the executive Directors, Mr. Simon Murray and Dr. Lam, Lee G., all being the non-executive Directors and Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lam Lum Lee, all being the independent non-executive Directors.

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

Hong Kong, 28 August 2015