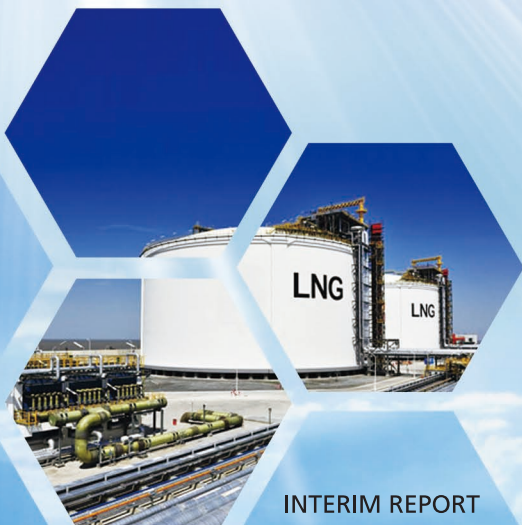


中國天然氣集團有限公司 CHINA LNG GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)



INTERIM REPORT
2016



Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Turnover – gross	3	14,092	190,076
Revenue			
Interest income from LNG finance lease arrangements	3	3,108	17
LNG finance leases interest income	3	3,972	–
Service fee income from leasing of LNG vehicles	3	355	40
Dividend income from held for trading investments	3	–	753
Gain on disposal of held for trading investments	3	–	10,343
Gain on fair value changes of held for trading investments	3	416	3,158
Loss on fair value changes of derivative financial instruments	3	–	(44)
Brokerage income	3	675	–
Rental income	3	420	420
Interest income from loan financing	3	5,146	–
		14,092	14,687
Other income and gains		3,564	11,900
Share of results of associates		32,968	–
Selling and distribution expenses		(9,580)	(1,713)
Administrative expenses		(21,447)	(16,868)
Profit before taxation	5	19,597	8,006
Taxation	6	(673)	(1,800)
Profit for the period		18,924	6,206

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Notes			
	Attributable to:–		
	Equity shareholders of the Company	18,196	6,206
	Non-controlling interests	728	–
	Profit for the period	18,924	6,206
	Earnings per share (HK cents)		
	– Basic	8 0.03	0.01
	– Diluted	8 0.03	0.01

The notes on pages 8 to 39 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 7.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Profit for the period	18,924	6,206
Other comprehensive (loss)/income for the period, net of tax:- Items that may be subsequently reclassified to profit or loss:- Exchange differences on translating foreign operations	(10,500)	10
Total comprehensive income for the period	8,424	6,216
Total comprehensive income for the period attributable to:- Equity shareholders of the Company	7,850	6,216
Non-controlling interests	574	-
Profit for the period	8,424	6,216

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current assets			
Investment properties	9	65,300	65,300
Plant and equipment		17,317	4,298
Interest in associates	25	–	608,252
Deposit for acquisition of plant and equipment		13,406	6,374
Deposit for acquisition of associates		4,203	–
Receivables under LNG finance lease arrangements	10	29,319	8,288
LNG finance lease receivables	11	54,778	43,700
Statutory deposits		250	–
Deferred tax asset		46	46
		184,619	736,258
Current assets			
Held for trading investments	12	3,352	–
Receivables under LNG finance lease arrangements	10	26,860	94,229
LNG finance lease receivables	11	76,653	36,777
Loan receivables	13	281,037	–
Accounts receivable	14	24,229	–
Prepayments, deposits and other receivables	15	15,365	13,722
Financial asset at fair value through profit or loss	16	–	71,622
Bank balances and cash	17	1,200,647	170,011
		1,628,143	386,361

Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Current liabilities			
Accounts payable	18	254,642	–
Accrued charges and other payables	19	270,822	274,436
Dividend payable		56,385	–
Income tax payable		10,661	21
		592,510	274,457
Net current assets		1,035,633	111,904
Total assets less current liabilities		1,220,252	848,162
Non-current liability			
Deferred tax liability		291	291
Net assets		1,219,961	847,871
Capital and reserves			
Share capital	20	112,770	112,770
Reserves		686,609	735,144
		799,379	847,914
Non-controlling interest		420,582	(43)
Total equity		1,219,961	847,871

The notes on pages 8 to 39 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to equity shareholders of the Company						Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 January 2015	112,769	506,277	9,370	(415)	(135,700)	492,301	-	492,301
2014 final dividend declared (note 7)	-	(22,554)	-	-	-	(22,554)	-	(22,554)
Profit for the period	-	-	-	-	6,206	6,206	-	6,206
Other comprehensive income for the period, net of tax:-								
Exchange differences on translating foreign operations	-	-	-	10	-	10	-	10
Total comprehensive income for the period	-	-	-	10	6,206	6,216	-	6,216
At 30 June 2015 (Unaudited)	112,769	483,723	9,370	(405)	(129,494)	475,963	-	475,963
At 1 January 2016	112,770	483,856	9,370	(23,441)	265,359	847,914	(43)	847,871
2015 final dividend declared (note 7)	-	(56,385)	-	-	-	(56,385)	-	(56,385)
Non-controlling interest arising from business combination	-	-	-	-	-	-	420,051	420,051
Profit for the period	-	-	-	-	18,196	18,196	728	18,924
Other comprehensive loss for the period, net of tax:-								
Exchange differences on translating foreign operations	-	-	-	(10,346)	-	(10,346)	(154)	(10,500)
Total comprehensive income for the period	-	-	-	(10,346)	18,196	7,850	574	8,424
At 30 June 2016 (Unaudited)	112,770	427,471	9,370	(33,787)	283,555	799,379	420,582	1,219,961

The notes on pages 8 to 39 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
NET CASH FROM OPERATING ACTIVITIES	165,286	66,564
NET CASH FROM INVESTING ACTIVITIES	876,621	24,783
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,041,907	91,347
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(11,271)	10
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	170,011	246,166
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	1,200,647	337,523

Notes to the Condensed Consolidated Financial Statements

1. CORPORATION INFORMATION

China LNG Group Limited (the “Company” together with its subsidiaries, the “Group”) 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 development of liquefied natural gas (“LNG”) businesses, provision of finance leasing services for LNG vehicles, vessels and equipment in the People’s Republic of China (the “PRC”), as approved by the Ministry of Foreign Trade and Economic Cooperation of the PRC, trading of securities, provision of securities brokerage, margin financing and securities investments, properties investment and financial services through provision of money lending business.

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 2015, 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 2016. 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.

One new significant accounting policy is adopted during the current period:–

Commission and brokerage income is recognised on all broking transactions on a trade date basis.

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 condensed consolidated 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 REVENUE

Turnover – gross

Turnover represents the aggregate of income from the LNG businesses in the PRC, gross income from trading of securities, income from provision of securities brokerage, margin financing and securities investments in Hong Kong, rental income from letting of investment properties in Hong Kong and income from financial services through provision of money lending business in Hong Kong, is analysed as follows:–

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income from LNG finance lease arrangements	3,108	17
LNG finance leases interest income	3,972	–
Service fee income from leasing of LNG vehicles	355	40
Dividend income from held for trading investments	–	753
Gross income from disposal of held for trading investments	–	185,732
Gain on fair value changes of held for trading investments	416	3,158
Loss on fair value changes of derivative financial instruments	–	(44)
Brokerage income	675	–
Rental income	420	420
Interest income from loan financing	5,146	–
	14,092	190,076

Notes to the Condensed Consolidated Financial Statements

3. TURNOVER AND REVENUE (continued)

Revenue

Revenue represents the aggregate of income from the LNG businesses in the PRC, income from trading of securities, income from provision of securities brokerage, margin financing and securities investments in Hong Kong, rental income from letting of investment properties in Hong Kong and income from financial services through provision of money lending business in Hong Kong, is analysed as follows:–

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income from LNG finance		
lease arrangements	3,108	17
LNG finance leases interest income	3,972	–
Service fee income from leasing of LNG vehicles	355	40
Dividend income from held for trading investments	–	753
Gain on disposal of held for trading investments	–	10,343
Gain on fair value changes of held		
for trading investments	416	3,158
Loss on fair value changes of derivative		
financial instruments	–	(44)
Brokerage income	675	–
Rental income	420	420
Interest income from loan financing	5,146	–
	14,092	14,687

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION

The Group determines its operating segments based on the Directors' decisions. For management purposes, the Group is organised into seven (2015: four) operating divisions, which are the basis on which the Group reports its segment information.

The Group's principal activities are as follows:

- (1) Development of the LNG businesses in the PRC
 - Financial provision through finance leasing services for LNG vehicles, vessels and equipment;
 - Provision of LNG in the midstream market through fuelling/refuelling of LNG in road refuelling stations for commercial vehicles and water refuelling stations for vessels and specific designed refuelling facilities for equipment; and
 - Commercial vehicle platform services through the Group's Environmental Green Club ("綠擎匯"), including provision of the commercial vehicles users long distance IT control, insurance handling and purchase/sale of their new/used LNG/diesel vehicles.
- (2) Trading of securities
- (3) Provision of securities brokerage, margin financing and securities investments in Hong Kong
- (4) Properties investment
- (5) Financial services through provision of money lending business

Notes to the Condensed Consolidated Financial Statements

4. 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 EBIT" i.e. adjusted earnings before interest and taxes. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

Notes to the Condensed Consolidated Financial Statements

4. SEGMENT INFORMATION (continued)

Segment information about the aforementioned business is set out below:–

	Financial provision through finance leasing services for LNG vehicles, vessels and equipment		Provision of LNG in the midstream market		Provision of commercial vehicle platform services		Trading of securities		Provision of securities brokerage, margin financing and securities investments		Properties investment		Financial services through provision of money lending business		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		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
TURNOVER																
External	7,435	57	-	-	-	-	416	189,599	675	-	420	420	5,146	-	14,092	190,076
REVENUE																
External	7,435	57	-	-	-	-	416	14,210	675	-	420	420	5,146	-	14,092	14,687
RESULTS																
Segment results	(10,534)	(7,618)	(3,512)	(1,281)	(46)	-	(770)	13,481	(1,438)	-	210	5,925	5,140	-	(10,951)	10,507
Other income and gains															1,147	165
Share of results of associates															32,968	-
Unallocated corporate expenses															(3,567)	(2,666)
Profit before taxation															19,597	8,006
Taxation															(673)	(1,800)
Profit for the period															18,924	6,206

The Group's operations of the development of LNG businesses including the provision of finance leasing services for LNG vehicles, vessels and equipment, provision of LNG in the midstream market and provision of commercial vehicle platform services are located in the PRC and the remaining operations are located in Hong Kong during both periods.

Notes to the Condensed Consolidated Financial Statements

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging/(crediting):-		
Depreciation of plant and equipment	1,515	370
Rental income less outgoings	(320)	(300)
Interest income on bank deposits	(1,409)	(1,547)
Staff costs:-		
Directors' remuneration	870	823
Staff cost excluding directors' remuneration	12,933	9,257
Retirement benefits scheme contribution, excluding those included in directors' remuneration	2,577	586
	16,380	10,666

6. TAXATION

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong Profits Tax	673	1,800

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

7. DIVIDENDS

- (a) The Directors do not recommend the payment of an interim dividend for the Period (2015: Nil).
- (b) Dividend payable to equity shareholders attributable to the previous financial year, approved and paid or payable during the interim period:–

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid or payable during the current interim period, of HK0.1 cent per share (six months ended 30 June 2015: HK0.04 cents per share, adjusted for the effect of the Share Subdivision in August 2015)	56,385	22,554

Notes to the Condensed Consolidated Financial Statements

8. EARNINGS PER SHARE

The calculation of weighted average number of shares of the Company (the “Shares”) for the purpose of earnings per Share (“EPS”) had 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 (“Share Subdivision”) (note 20) effective on 10 August 2015.

The weighted average number of Shares for EPS calculation represents the average number of Shares in issue during the current and preceding periods. There was no dilutive instrument during the current and preceding periods. These calculations of weighted average number of Shares assumed the aforementioned Share Subdivision was conducted at the beginning of the period on 1 January 2015.

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\$18,196,000 (2015: HK\$6,206,000) and the weighted average number of 56,385,049,100 (2015: 56,384,706,980) Shares in issue for both basic and diluted EPS.

9. INVESTMENT PROPERTIES

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
At 1 January	65,300	86,700
Disposal	–	(21,400)
At fair value	65,300	65,300

Notes to the Condensed Consolidated Financial Statements

9. INVESTMENT PROPERTIES (continued)

As at 30 June 2016 and 31 December 2015, 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 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Medium-term leases	43,200	43,200
Long-term leases	22,100	22,100
	65,300	65,300

The carrying amount of the Group's investment properties as of 31 December 2015 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

9. INVESTMENT PROPERTIES (continued)

The Directors have estimated that the fair values of the investment properties as at 30 June 2016 did not vary significantly from the professional valuation as of 31 December 2015. Accordingly, no fair value adjustment has been recognised in respect of the Group's investment properties for the six months ended 30 June 2016 (30 June 2015: 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:-

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
At beginning of the period/year	65,300	86,700
Disposal	-	(21,400)
At end of the period/year	65,300	65,300
Unrealised gain or losses recognised in profit or loss relating to those assets held at the end of the reporting period	-	-

Notes to the Condensed Consolidated Financial Statements

10. RECEIVABLES UNDER LNG FINANCE LEASE ARRANGEMENTS

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

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Within one year	26,860	94,229
In the second to fifth years, inclusive	29,319	8,288
	56,179	102,517

The Group entered into finance lease arrangements pursuant to which the lessees sold their vehicles and vessels to the Group and leased back the assets with lease period ranging from 1.5 years to 5 years (2015: half year to 3 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.

At 30 June 2016, the effective interest rates applicable to the finance lease arrangements ranged from approximately 7.91% to 13.78% (2015: 3.92% to 12.32%) per annum. The receivables are secured by the leased vehicles and vessels. The Group has obtained guarantees provided by the controlling shareholders of the lessees and other independent third parties for certain finance lease arrangements and security deposits for certain finance lease arrangements. The security deposits were interest-free. The lessees are obliged to settle the amounts according to the terms set out in the relevant agreements.

At 30 June 2016, the receivables included HK\$593,000 which were past due for less than 1 month but not impaired. The amounts were received in July 2016.

Notes to the Condensed Consolidated Financial Statements

11. LNG FINANCE LEASE RECEIVABLES

	Minimum lease payments As at 30 June 2016 (Unaudited) HK\$'000	Minimum lease payments As at 31 December 2015 (Audited) HK\$'000	Present value of minimum lease payments As at 30 June 2016 (Unaudited) HK\$'000	Present value of minimum lease payments As at 31 December 2015 (Audited) HK\$'000
Within one year	84,762	42,671	76,653	36,777
In the second to fifth years, inclusive	60,972	47,662	54,778	43,700
	145,734	90,333	131,431	80,477
Less: Unearned finance income	(14,303)	(9,856)		
Present value of minimum lease payment receivables	131,431	80,477		
Less: Amount receivables within 12 months (shown under current assets)			(76,653)	(36,777)
Amount receivables after 12 months			54,778	43,700

The Group entered into finance lease contracts pursuant to which the Group purchased new vehicles or equipment from third party manufacturers or distributors of its choice or of the lessees' choice and leased back the assets to the lessees with lease period ranging from 2 years to 3 years (2015: 2 years to 3 years) from the date of inception. The ownership of the 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 contracts. The lessees retain control of the assets after entering into the contracts.

Notes to the Condensed Consolidated Financial Statements

11. LNG FINANCE LEASE RECEIVABLES (continued)

At 30 June 2016, the effective interest rates applicable to the finance lease ranged from approximately 6.98% to 12.82% (2015: 6.98% to 12.48%) per annum. The receivables are secured by the leased vehicles and equipment. The Group has obtained guarantees provided by the controlling shareholders of the lessees and other independent third parties for certain finance lease and security deposits for certain finance lease contracts. The security deposits were interest-free. The lessees are obliged to settle the amounts according to the terms set out in the relevant agreements.

At 30 June 2016, the receivables included HK\$1,111,000 which were past due for less than 1 month but not impaired. The amounts were received in July 2016.

12. HELD FOR TRADING INVESTMENTS

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Equity securities listed in Hong Kong, at fair value	3,352	–

The fair value of the Group's investments in listed equity securities had been determined directly by reference to their published price quotations in active market as at 30 June 2016.

Notes to the Condensed Consolidated Financial Statements

13. LOAN RECEIVABLES

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Loan receivables	281,037	–

The Group seeks to maintain strict control over its outstanding loan receivables so as to minimise credit risk. The granting of loans is subject to approval by the management, whilst overdue balances are reviewed regularly by the management. Loan receivables are charged on effective interest rate mutually agreed with the contracting parties, at a fixed rate of 8% to 15% per annum.

The loan receivables are fully secured. The borrowers are obliged to settle the amounts according to the terms set out in the relevant agreements.

Notes to the Condensed Consolidated Financial Statements

13. LOAN RECEIVABLES (continued)

The maturity profile of loan receivables at the end of the reporting period, is as follows:–

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Neither past due nor impaired	268,959	–
Past due nor impaired:–		
Less than 1 month	2,544	–
Less than 3 months but over 1 month	4,021	–
Over 3 months	5,513	–
	281,037	–

The directors of the Group are of the opinion that no provision for impairment is necessary in respect of loan receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Notes to the Condensed Consolidated Financial Statements

14. ACCOUNTS RECEIVABLE

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Amounts receivable arising from dealing in securities:–		
Cash clients	8,017	–
Margin clients	9,606	–
Hong Kong Securities Clearing Company Limited (“HKSCC”)	6,606	–
	24,229	–

The settlement terms of the accounts receivable from cash clients and HKSCC arising from the business of dealing in securities are two days after trade date.

At 30 June 2016, the accounts receivable from margin clients were repayable on demand, interest-bearing at rate of 9.25% per annum and secured by clients' securities that are listed on the Stock Exchange with a total market value of approximately HK\$46,860,000.

The accounts receivable arising from dealing in securities as at 30 June 2016 were not past due nor impaired.

Notes to the Condensed Consolidated Financial Statements

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Prepayments and deposits	5,762	3,333
Value-added tax recoverable	9,603	10,389
	15,365	13,722

16. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

At 31 December 2015, the Group had an unlisted investment of HK\$71,622,000 (equivalent to RMB60,000,000) offered by China Construction Bank (the "Bank") in the PRC. The investment carried interest at expected interest rate of 2.2% to 4.2% per annum, depending on the market price of the underlying money market instruments and debt instruments invested by the Bank, payable on redemption. The product was non-principal guaranteed. The Group had the right to redeem the investment at any time and received the redemption price based on the rate of return as announced by the Bank when redeemed.

The Investment was fully redeemed in January 2016.

Notes to the Condensed Consolidated Financial Statements

17. BANK BALANCES AND CASH

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Cash at banks:-		
General accounts	955,298	170,009
Client accounts	245,348	-
Cash in hand	1	2
	1,200,647	170,011

General accounts bear interest at prevailing market rate and have original maturity of three months or less.

The Group maintains client bank accounts with authorised financial institutions to receive and hold money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more client bank accounts and bear interest at commercial rates. The Group has recognised the corresponding accounts payable to respective clients. However, the Group currently does not have an enforceable right to offset those payables with the deposits placed.

The Group's bank balances are denominated primarily in Hong Kong dollar, Renminbi and United States dollar.

Notes to the Condensed Consolidated Financial Statements

18. ACCOUNTS PAYABLE

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Amounts payable arising from dealing in securities:–		
Cash clients (note 18(a))	253,049	–
Margin clients	1,593	–
	254,642	–

Note:

- (a) The amounts payable included HK\$200,000,000 which was deposited by a shareholder of the Company, Mr. Kan Che Kin, Billy Albert ("Mr. Kan").

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date or on demand where held at segregated client bank accounts.

The accounts payable amounting to approximately HK\$245,348,000 were payable to clients in respect of the segregated client bank balances received and held for clients in the course of the conduct of regulated activities. The carrying amounts of the accounts payable arising from the ordinary course of business of dealing in securities are mainly denominated in Hong Kong dollars.

Notes to the Condensed Consolidated Financial Statements

19. ACCRUED CHARGES AND OTHER PAYABLES

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Accrued charges and other payables	6,185	7,178
Guaranteed deposits on LNG finance leases and finance leases arrangements	14,637	8,855
Amount due to an associate (note 19(a))	–	8,403
Amount due to a shareholder (note 19(b))	250,000	250,000
	270,822	274,436

Notes:–

- (a) The amount is unsecured, interest-free and repayable on demand.
- (b) The amount due to a shareholder, Mr. Kan is unsecured, interest-free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

20. SHARE CAPITAL

	2016		2015	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Shares of HK\$0.002 each				
Authorised:-				
At 1 January and 30 June	200,000,000,000	400,000	200,000,000,000	400,000
Issued and fully paid:-				
At 1 January and 30 June	56,385,049,100	112,770	56,384,706,980	112,769

Note:-

Pursuant to the extraordinary general meeting passed on 7 August 2015, Share Subdivision whereby each of the issued and unissued ordinary share with a par value of HK\$0.01 each in the share capital of the Company be subdivided into 5 ordinary shares with a par value of HK\$0.002 each ("Subdivided Share(s)"), such that the authorised share capital of the Company becomes HK\$400,000,000 divided into 200,000,000,000 Subdivided Shares of par value of HK\$0.002 each. The Subdivided Shares rank pari passu in all respects with each other in accordance with the Memorandum and Articles of Association of the Company.

21. RELATED PARTY TRANSACTIONS

- (a) Apart from the information as disclosed in elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with its related parties during the period.

The Company entered into a loan facility agreement with Mr. Kan in relation to the provision of a standby facility of HK\$360,000,000 to the Company by Mr. Kan. At 30 June 2016, this facility had been utilised of HK\$250,000,000 (2015: HK\$250,000,000).

Notes to the Condensed Consolidated Financial Statements

21. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short-term benefits	8,039	1,075

22. OPERATING LEASE COMMITMENT

The Group as lessees:–

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	8,649	4,191
In the second to fifth year inclusive	9,671	4,993
Over fifth year	7,565	–
	25,885	9,184

Notes to the Condensed Consolidated Financial Statements

22. OPERATING LEASE COMMITMENT (continued)

Operating lease payments represent rentals payable by the Group for its office premises and a plot of land. The leases are negotiated for terms from five months to twenty years (2015: five months to three years) and does not include contingent rentals. One of the leases is guaranteed by Mr. Kan.

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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	600	–

The lease is negotiated with a term of 2 years with fixed monthly rental and does not include contingent rentals.

Notes to the Condensed Consolidated Financial Statements

23. CAPITAL COMMITMENT

At the end of the reporting period, the Group had outstanding capital commitments as follows:–

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Contracted but not provided for Plant and machinery	63,746	72,338
Capital contribution to subsidiaries	1,821,913	1,732,174
	1,885,659	1,804,512

24. 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.

Notes to the Condensed Consolidated Financial Statements

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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 2016 (Unaudited)			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial assets				
Held for trading investments	3,352	-	-	3,352

During the six months ended 30 June 2016, 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.

25. BUSINESS COMBINATION

Key Fit Group Limited ("Key Fit") was an associate of the Group as at 31 December 2015. On 16 May 2016, a director of Key Fit resigned. As nominated by the Group, Mr. Au Yeung Ho Yin, the joint company secretary of the Company, was appointed as the director of Key Fit with effect from 16 May 2016. After the appointment, the board of directors of Key Fit consists of three members, two of which were nominated by the Company. Therefore, the Group considers that it has control over the board of directors of Key Fit by attaining two-thirds of the voting rights. Accordingly, Key Fit ceased to be an associate of the Group and has become a subsidiary of the Group since 16 May 2016. The Group's equity interests in Key Fit remained at 60.42%.

Notes to the Condensed Consolidated Financial Statements

25. BUSINESS COMBINATION (continued)

The fair value of the identifiable assets and liabilities of Key Fit and its subsidiaries acquired as at the date of acquisition is as follows:–

	HK\$'000
Plant and equipment	13,061
Statutory deposits	250
Held for trading investments	2,936
Amounts due from related companies	65,190
Loan receivables	284,176
Accounts receivable	3,086
Deposits and prepayments	1,775
Bank balances and cash	815,787
Accounts payable	(61,813)
Accrued charges and other payables	(716)
Amount due to a shareholder	(43,256)
Amounts due to related companies	(9,238)
Income tax payable	(9,967)
	<hr/>
	1,061,271
Non-controlling interests	(420,051)
	<hr/>
	641,220
	<hr/> <hr/>
Net cash inflow arising from business combination	
Cash consideration paid	–
Less: Cash and cash equivalents acquired	815,787
	<hr/>
	815,787
	<hr/> <hr/>

Notes to the Condensed Consolidated Financial Statements

25. BUSINESS COMBINATION (continued)

There was no impact to the Group's profit or loss upon recognising Key Fit as a non-wholly-owned subsidiary, as its share of the fair value of the identifiable net assets of Key Fit and its subsidiaries did not change before and after the recognition.

Key Fit contributed the turnover and revenue of approximately HK\$6,237,000 to the Group and contributed a profit of approximately HK\$2,253,000 to the Group for the period between the date of acquisition and the end of the reporting period.

Had the acquisition been completed on 1 January 2016, total Group's profit for the period, turnover and revenue for the period ended 30 June 2016 would be approximately HK\$56,830,000, HK\$503,259,000 and HK\$71,082,000 respectively. This proforma information was for illustrative purposes only and was not necessarily an indication of the revenue and result of the Group that would actually have been impacted had the acquisition been completed on 1 January 2016, nor was it intended to be a projection of future result.

Notes to the Condensed Consolidated Financial Statements

26. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (i) On 20 May 2016, Key Fit, a non-wholly-owned subsidiary of the Group, and Mr. Kan entered into the sale and purchase agreement (as supplemented by the supplemental agreements), pursuant to which Key Fit has conditionally agreed to purchase, and Mr. Kan has conditionally agreed to sell, a total of 1,125,000,000 shares of Global Strategic Group Limited (“GS Shares”) (Stock Code:8007) (“Sale Shares”), for the consideration of HK\$39,375,000.

Given that one of the principal activities of the Group is trading of securities, the Directors confirm that the Sale Shares will be classified as held for trading investments. The consideration of HK\$0.035 per Sale Share represents a significant discount to the recent trading prices of GS Shares, which gives rise to a gain on the acquisition of approximately HK\$215,740,000, being the excess of the fair value amounting to approximately HK\$255,375,000 over the consideration of HK\$39,375,000 less the estimated transaction cost of approximately HK\$260,000.

The fair value of the shares of approximately HK\$255,375,000 is based on the closing price of HK\$0.227 per GS Share as quoted on the Stock Exchange on 20 May 2016. As the Group holds approximately 60.42% equity interests in Key Fit, the estimated financial impact on the profit or loss of the Group derived from the acquisition will be a net gain of approximately HK\$130,350,000 upon the completion date.

The completion in relation to the acquisition of the Sales Shares is subject to the shareholders’ approval at the extraordinary general meeting of the Company to be held on 1 September 2016.

Notes to the Condensed Consolidated Financial Statements

26. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD (continued)

- (ii) On 30 June 2016, China LNG (Tianjin) Energy Co., Ltd* (港能(天津)能源有限公司) (“CLNG Tianjin”), a wholly-owned subsidiary of the Group, Tiandao New Energy Technology Co., Ltd* (天道新能源科技有限公司) and Lihua Energy Storage Transportation Co., Ltd* (利華能源儲運股份有限公司) entered into the capital injection agreement and the supplemental agreement, pursuant to which CLNG Tianjin shall inject a sum of RMB45,900,000 into Hebei Tiandao Energy Storage Transportation Co., Ltd* (河北天道能源儲運有限公司) (“Hebei Tiandao”), of which RMB31,230,000 and RMB14,670,000 is recognised as the registered capital and the capital reserve of Hebei Tiandao, respectively.

Hebei Tiandao is principally engaged in investment, development, management and operation of LNG storage and transportation projects in the PRC.

The capital injection was completed on 22 July 2016. CLNG Tianjin holds 51% of the enlarged issued share capital of Hebei Tiandao and Hebei Tiandao has become a non-wholly-owned subsidiary of the Group. Hebei Tiandao will invest in construction of LNG storage and distribution centres for sale and distribution of LNG to industrial, commercial and residential customers and LNG refuelling stations that significantly further expand the Group’s LNG related business activities.

* for identification purposes only

Notes to the Condensed Consolidated Financial Statements

26. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD (continued)

- (iii) On 7 August 2016, China LNG Natural Gas Co., Ltd* (港能天然氣有限責任公司) (“CLNG Natural Gas”), a wholly-owned subsidiary of the Group, and four individuals entered into the share transfer and capital injection agreement, pursuant to which CLNG Natural Gas agreed to purchase and each of the four individuals agreed to sell 8.38%, 4.93%, 11.18% and 8.38% equity interests in Hebei Dezhong Gas Trading Co., Ltd* (河北德眾燃氣貿易有限公司) (“Hebei Dezhong”), respectively, for the total consideration of RMB1,643,400.

Afterwards, CLNG Natural Gas shall inject a sum of RMB4,590,000 into Hebei Dezhong, of which the entire amount is recognised as the registered capital of Hebei Dezhong.

Hebei Dezhong is principally engaged in trading of LNG, leasing, installation and trading of LNG equipment and provision of consultancy services.

The above transactions were completed on 9 August 2016. CLNG Natural Gas holds 65% of the enlarged issued share capital of Hebei Dezhong and Hebei Dezhong has become a non-wholly-owned subsidiary of the Group.

- (iv) On 8 August 2016, China LNG (Hubei) Energy Co., Ltd* (港能(湖北)能源有限公司) (“CLNG Hubei”), a wholly-owned subsidiary of the Group and Hubei Guoshun New Energy Co., Ltd* (湖北國順新能源有限公司) (“Guoshun”) entered into the project cooperation agreement, pursuant to which Hubei Gangshun Natural Gas Co., Ltd* (湖北港順天然氣有限公司) (“Gangshun”) shall be incorporated with registered capital of RMB10,000,000. CLNG Hubei and Guoshun shall inject a sum of RMB6,000,000 and RMB4,000,000, respectively, into Gangshun, of which RMB10,000,000 will be recognised as the registered capital of Gangshun.

Gangshun is principally engaged in investment, construction and operation of LNG refuelling stations.

Upon completion, CLNG Hubei will hold 60% of the issued registered capital of Gangshun and Gangshun will become a non-wholly-owned subsidiary of the Group.

* for identification purposes only

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 39 which comprises the condensed consolidated statement of financial position of China LNG Group Limited as of 30 June 2016 and the related condensed consolidated statement of profit or loss, statement of 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.

Report on Review of Interim Financial Information

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

30 August 2016

Management Discussion and Analysis

BUSINESS REVIEW

Liquefied Natural Gas (“LNG”)

During the six months period ended 30 June 2016 (the “Period”), the Group continued to focus on developing its LNG businesses in the PRC by promoting the use of LNG in the PRC through adopting a demand driven strategy targeting LNG end-users. The Group continued to maintain its focus on the development of finance leasing business which is a key to create larger user groups and demands for the supply of LNG and the number of LNG refuelling stations across the PRC. The Group also invested in midstream LNG operations by acquisition and cooperation with big oil and gas operators to engage in investment, development, management and operation of LNG refuelling stations, LNG storage and transportation projects.

On 30 June 2016, the Group, Tiandao New Energy Technology Co., Ltd* (天道新能源科技有限公司) and Lihua Energy Storage Transportation Co., Ltd* (利華能源儲運股份有限公司) entered into the capital injection agreement and the supplemental agreement, pursuant to which the Group shall inject a sum of RMB45,900,000 (equivalent to approximately HK\$55,080,000) into Hebei Tiandao Energy Storage Transportation Co., Ltd* (河北天道能源儲運有限公司) (“Hebei Tiandao”) (the “Capital Injection”). Hebei Tiandao is principally engaged in investment, development, management and operation of LNG storage and transportation projects in the PRC. Upon completion of the Capital Injection on 22 July 2016, Hebei Tiandao will invest in construction of LNG storage and distribution centres for sale and distribution of LNG to industrial, commercial and residential customers and LNG refuelling stations that significantly further expand the Group’s LNG related business activities.

During the Period, the Group entered into several finance lease arrangements with logistic and finance leasing companies in the PRC for 470 heavy duty LNG vehicles including tractors and trailers and 3 LNG vessels with the aggregate leasing principal amount of approximately HK\$118.6 million.

Since the date of commencement of the finance lease business up to 30 June 2016, the accumulated leasing principal amount was approximately HK\$380.8 million in relation to finance leasing of 1,875 heavy duty LNG vehicles, 3 LNG vessels and 10 sets of LNG storage equipment.

Our revenue generated from the finance lease business was approximately HK\$7,435,000 during the Period.

* for identification purposes only

Management Discussion and Analysis

BUSINESS REVIEW (continued)

With a view to optimizing our business portfolio as well as diversifying revenue streams, the Group continues to explore suitable investment opportunities from time to time in order to engage in new segments of LNG business with sustainable growth and return.

The Group will continue to strive to provide comprehensive services in every segment of the LNG supply chain and caters to every need of LNG end-users.

Trading of securities

The Group continued to conduct its trading of Hong Kong securities business through Key Fit Group Limited ("Key Fit"), a non-wholly-owned subsidiary of the Company during the Period, which has maintained a good and stable return for many years.

Key Fit was an associate of the Group as at 31 December 2015. On 16 May 2016, the Group has control over the board of directors of Key Fit by attaining two-thirds of the voting rights. Accordingly, Key Fit ceased to be an associate of the Group and has become a non-wholly-owned subsidiary of the Company since 16 May 2016. The Group's equity interests in Key Fit remained at 60.42%.

On 20 May 2016, Key Fit and Mr. Kan entered into the sale and purchase agreement, pursuant to which Key Fit has conditionally agreed to purchase, and Mr. Kan has conditionally agreed to sell a total of 1,125,000,000 shares of Global Strategic Group Limited (the "Sale Shares"), shares of which listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock code: 8007) (the "GS Share"), for the consideration of HK\$39,375,000. The consideration of HK\$0.035 per Sale Share represents a significant discount to the recent trading price of the GS Share, which gives rise to a gain on the acquisition of approximately HK\$215,740,000, being the excess of the fair value amounting to approximately HK\$255,375,000 over the consideration of HK\$39,375,000 less the estimated transaction cost of approximately HK\$260,000. The fair value of the Sale Shares of approximately HK\$255,375,000 is based on the closing price of HK\$0.227 per GS Share as quoted on the Stock Exchange on 20 May 2016.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Securities brokerage

The Group has commenced its securities brokerage business through China Hong Kong Capital Asset Management Limited (“CHKCAML”), a non-wholly-owned subsidiary of the Company since May 2016.

CHKCAML is registered as a licensed corporation under the Securities and Futures Commission of Hong Kong (the “SFC”) to carry on Type 1 (Dealing in Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (the “SFO”). CHKCAML currently provides mainly brokerage services and margin financings to its clients for trading in securities listed on the Stock Exchange and will further expand to other related areas in the future.

Property investment

As at 30 June 2016, the Group holds two residential properties located in Central Mid-levels (the “Central Property”) and Repulse Bay (the “Repulse Bay Property”). The Central Property was leased out during the Period at HK\$70,000 per month, and the Repulse Bay Property was also leased out with the commencement of lease term on 30 June 2016 at HK\$50,000 per month.

Financial service

The Group continued to carry out its financial services operation through its money lending business under the Money Lenders Ordinance in Hong Kong.

During the Period, all the loans granted under the money lending business of the Group were secured loans and were funded by internal resources.

As at 30 June 2016, loan receivables derived from the money lending business was approximately HK\$281.0 million.

FINANCIAL REVIEW

Revenue

During the Period, our revenue remained relatively stable at approximately HK\$14.1 million for the Period and approximately HK\$14.7 million for the six months period ended 30 June 2015.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Our revenue derived from provision of finance leasing services for LNG vehicles, vessels and equipment increased by approximately 129.4 times from approximately HK\$57,000 for the six months period ended 30 June 2015 to approximately HK\$7.4 million for the Period because the Group has commenced the finance leasing business near to 30 June 2015.

Revenue derived from trading of securities decreased by approximately 97.1% from approximately HK\$14.2 million for the six months period ended 30 June 2015 to approximately HK\$0.4 million for the Period because of the reduction in trading activities conducted by the Group. The Group mainly recorded profit from trading of securities through share of results of Key Fit as an associate of the Group during the period from 1 January 2016 to 15 May 2016. During the Period, the revenue derived by Key Fit from trading of securities was approximately HK\$56.1 million.

Our revenue derived from securities brokerage business was approximately HK\$0.7 million for the Period while no such revenue was recognised for the six months period ended 30 June 2015 due to newly acquired securities brokerage business in May 2016.

Our revenue derived from investment properties remained relatively stable at approximately HK\$0.4 million for the two periods ended 30 June 2016 and 2015.

The rental income derived from the Central Property for the two periods ended 30 June 2016 and 2015 remains unchanged while the Repulse Bay Property was leased out in June 2016.

Our revenue derived from the financial services through provision of money lending business was approximately HK\$5.1 million for the Period while no such revenue was recognised for the six months period ended 30 June 2015 due to newly acquired business in the second half of 2015.

Other income and gains

Our other income and gains decreased by approximately 70.1% to approximately HK\$3.6 million for the Period from approximately HK\$11.9 million for the six months period ended 30 June 2015. The decrease was mainly due to a gain on disposal of an investment property of approximately HK\$5.9 million for the six months period ended 30 June 2015.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 459.3% to approximately HK\$9.6 million for the Period from approximately HK\$1.7 million for the six months period ended 30 June 2015 because of the newly commencement and development of the LNG businesses in the PRC since February 2015 and continued LNG business expansion in the first half of 2016.

Administrative expenses

Our administrative expenses increased by approximately 27.1% to approximately HK\$21.4 million for the Period from approximately HK\$16.9 million for the six months period ended 30 June 2015 because of the increase in salaries and employee benefit expenses, office rental expenses and travelling expenses for administrative and managerial staff from the commencement of the LNG businesses in the PRC since February 2015 and continued LNG business expansion in the first half of 2016.

Share of results of associates

Our share of results of associates comprised our share of results of Key Fit and its subsidiaries of approximately HK\$33.0 million for the period from 1 January 2016 to 15 May 2016 mainly due to the revenue of approximately HK\$56.1 million derived from trading of securities conducted by Key Fit. No such balance was noted for the six months period ended 30 June 2015 because Key Fit was a wholly-owned subsidiary of the Company.

Income tax expense

Our income tax expense decreased by approximately 62.6% to approximately HK\$0.7 million for the Period from approximately HK\$1.8 million for the six months period ended 30 June 2015 mainly attributable to the decrease in taxable income and the increase in non-taxable income including share of results of associates.

Profit attributable to equity shareholders of the Company

Profit attributable to equity shareholder of the Company increased by approximately 193.2% to approximately HK\$18.2 million for the Period from approximately HK\$6.2 million for the six months period ended 30 June 2015.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Prospect

Since the pollution problem gets worst in the PRC, demand for environmentally friendly energy is growing.

The Chinese government continued to issue and implement a series of principles and policies to promote development and utilisation of new clean energies, in particular, LNG that will be the long term driving force of the development of the Group. Therefore, the Group is very optimistic about the development of LNG market in the PRC.

The Group will continue to adopt a demand driven strategy targeting LNG end-users. The Group intends to develop itself into an integrated LNG company with a focus on midstream and downstream LNG operations that offers innovative and diversified clean energy solution in the PRC.

The Group will continue to expand its customer base by approaching national express and logistics companies and shipbuilding companies for finance leasing of LNG vehicles and vessels and seek for considerable investment in the midstream LNG operation to strengthen the Group's LNG supply chain and cater to every need of LNG end-users.

As part of the Group's development of the midstream LNG business, we are currently seeking to invest in the construction and/or to acquire LNG refuelling stations, floating barges and shore-based refuelling stations to meet the LNG gas refuelling demand of our lessees and other new users of LNG throughout the PRC. The Group also plans to commence delivery and supply of LNG business to industrial users in the second half of 2016.

For the trading of securities business, the Group will continue to invest in the Hong Kong equity market by enhancing the use of the surplus working capital and will continue to seek attractive investment opportunities with the aim of deriving dividend income and/or gain from trading of listed securities to maximize the Company's value.

Apart from the LNG businesses and securities trading business, the Group plans to diversify its business into money lending business, securities brokerage business and asset management business that provide another way to generate better returns for the shareholders of the Company.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had total cash and bank balances of approximately HK\$1,200.6 million as at 30 June 2016 (31 December 2015: approximately HK\$170.0 million). There was no borrowing as at 30 June 2016 and 31 December 2015, no gearing ratio of the Group as at 30 June 2016 and 31 December 2015 was calculated. Net assets were approximately HK\$1,220.0 million as at 30 June 2016 (31 December 2015: approximately HK\$847.9 million).

The Group recorded total current assets value of approximately HK\$1,628.1 million as at 30 June 2016 (31 December 2015: approximately HK\$386.4 million) and total current liabilities value of approximately HK\$592.5 million as at 30 June 2016 (31 December 2015: approximately HK\$274.5 million). The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was approximately 2.75 as at 30 June 2016 (31 December 2015: approximately 1.41). The current ratio continues to maintain at a health condition.

Currently, the Group's operating and capital expenditures are financed by cash generated from operation, internal liquidity and fund advanced from the controlling shareholder. The Group has sufficient sources of funds to meet the future capital expenditure and working capital requirements.

The Group also believes that internal resources and credit lines from large PRC commercial banks would be able to satisfy the funding needs in 2016 for its finance leasing business and the start-up capital expenditure for its infrastructure investments.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend (2015: Nil) for the Period.

Management Discussion and Analysis

RISK MANAGEMENT

Our principal financial instruments include loan receivables, receivables under LNG finance lease arrangements, LNG finance lease receivables, accounts receivable and cash and cash equivalents. The main purpose of these financial instruments is to support our LNG business, trading of securities business, securities brokerage margin financing and securities investments business and money lending business. We also have various financial assets and financial liabilities arising from our business operations. The principal risks arising from our financial instruments are foreign currency risk, credit risk and liquidity risk. We intend to achieve an appropriate balance between these risks and the investment returns so as to minimise the potential adverse impact on our business and financial condition.

Foreign currency

Transactions of the Group were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the Period. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the two six months period ended 30 June 2016 and 30 June 2015, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

Credit risk

The Group's credit exposure generally arises from counterparty risk in the course of providing finance leasing services for LNG vehicles, vessels and equipment and money lending business. We implement our risk management system according to our plan based on our industry research, understanding of the customer's operations and financial condition. We believe that all of these are able to strengthen our control and management of our credit risk.

Late payment risk – in the event of late payment, we are entitled to charge interest at the default rate on the overdue amount until the same shall be paid. Such interest will accrue on a day-to-day basis. In addition, we may request a security deposit which we may apply towards the payment or discharge of any obligation owned by the lessee for the finance leasing business.

Management Discussion and Analysis

RISK MANAGEMENT (continued)

We manage, limit and monitor concentration of credit risk wherever they are identified, in particular to assess the lessee's and the borrower's repayment ability periodically for the finance leasing and money lending business.

As to impairment and allowance policies, we assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. No impairment allowance was made for our finance lease receivables, loan receivables and other financial assets of our Group as at 30 June 2016.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from mismatches in amounts or time with regard to the maturity of financial assets and liabilities. Our Group manages its liquidity risk through regularly monitoring with the following objectives: maintaining the stability of the Group's principal business, timely monitoring cash and bank position, projecting cash flows and evaluating the level of current assets to ensure liquidity of the Group.

TREASURY POLICIES

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

PLEDGE OF ASSETS

The Group had no pledged assets as at 30 June 2016.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

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

SEGMENTAL INFORMATION

Details of segmental information for the Period are set out in note 4 to the condensed consolidated financial statements.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2016.

STAFF AND REMUNERATION POLICIES

As at 30 June 2016, the Group had 122 employees (31 December 2015: 78 employees). The Group's total staff costs amounted to approximately HK\$16.4 million (For the year ended 31 December 2015: approximately HK\$23.9 million) for the Period. The Group offers competitive remuneration packages to our employees. The Group remunerated its employees mainly based on the industry practice, 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.

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 2016, 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, were as follows:

Name of Director	Name of company in which interests were held	Nature of interests	Long position/ Short position	Number of Shares held	Approximate percentage of shareholding
Mr. Kan Che Kin, Billy Albert ("Mr. Kan")	The Company	Beneficial owner	Long position	38,412,648,590 Shares	68.13%
	The Company	Beneficial owner	Short position	475,000,000 Shares	0.84%
Ms. Li Shu Han, Eleanor Stella	The Company	Beneficial owner	Long position	5,000,000 Shares	0.01%
Mr. Li Kai Yien, Arthur Albert	The Company	Beneficial owner	Long position	2,000,000 Shares	0.004%
Mr. Chen Li Bo ("Mr. Chen")	The Company	Beneficial owner	Long position	200,000,000 shares (Note)	0.35%
Mr. Simon Murray ("Mr. Murray")	The Company	Beneficial owner	Long position	50,000,000 shares (Note)	0.09%
Dr. Lam, Lee G. ("Dr. Lam")	The Company	Beneficial owner	Long position	100,000,000 shares (Note)	0.18%

Note:--

These Shares represent the option shares, which beneficially owned by Mr. Kan, were granted by Mr. Kan to Mr. Chen, Mr. Murray and Dr. Lam. upon the exercise in full of the rights pursuant to option deed agreements signed between Mr. Kan and each of Mr. Chen, Mr. Murray and Dr. Lam.

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 2016.

Management Discussion and Analysis

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, so far as was known to the Directors and chief executives of the Company, 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 2016.

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 2016.

Mr. Ip Woon Lai resigned as independent non-executive Director and member of Audit Committee on 22 July 2016. Mr. Au Yeung Po Fung has been appointed as an independent non-executive Director and a member of the Audit Committee with effect from 22 July 2016. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Au Yeung Po Fung and Mr. Lam Lum Lee.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code during the Period except for the following deviations:

1. Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate. The positions of chairman and chief executive officer of the Company have been 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.

Management Discussion and Analysis

CORPORATE GOVERNANCE CODE (continued)

2. Under the Code Provisions A.4.1 and A.4.2, non-executive Director should be appointed for a specific term and each Director should be subject to retirement by rotation at least once every three years. The existing independent non-executive Directors and non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association (the "Articles of Association") of the Company at least once every three years.
3. Under the Code Provision A.6.7, non-executive directors, including independent non-executive directors, should attend board, committee and general meetings. Dr. Lam, Lee G., an non-executive Director, and Mr. Lam Lum Lee, an independent non-executive Director, were unable to attend the annual general meetings held on 24 May 2016, as they had other business engagements. However, they subsequently requested the joint company secretary of the Company to report to them on the views of the Shareholders in the general meetings. As such, the Board considers that the development of a balanced understanding of the views of Shareholders among the non-executive Directors and independent non-executive Directors was ensured.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 June 2016.

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. Au Yeung Po Fung 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, 30 August 2016