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)

ANNUAL REPORT 2016

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Kan Che Kin, Billy Albert *(Chairman)*
Mr. Chen Li Bo *(Deputy Chairman)*
Mr. Li Kai Yien, Arthur Albert

Non-Executive Directors

Mr. Simon Murray
Dr. Lam, Lee G.

Independent Non-Executive Directors

Mr. Li Siu Yui
Mr. Lam Lum Lee
Mr. Au Yeung Po Fung
(appointed on 22 July 2016)

AUDIT COMMITTEE

Mr. Li Siu Yui *(Chairman)*
Mr. Lam Lum Lee
Mr. Au Yeung Po Fung
(appointed on 22 July 2016)

REMUNERATION COMMITTEE

Mr. Li Siu Yui *(Chairman)*
Mr. Kan Che Kin, Billy Albert
Mr. Au Yeung Po Fung
(appointed on 22 July 2016)

NOMINATION COMMITTEE

Mr. Li Siu Yui *(Chairman)*
Mr. Kan Che Kin, Billy Albert
Mr. Au Yeung Po Fung
(appointed on 22 July 2016)

COMPANY SECRETARY

Mr. Keung Chi Lap, Benjamin
(appointed on 24 March 2017)

INDEPENDENT AUDITORS

PKF

AUTHORISED REPRESENTATIVES

Mr. Keung Chi Lap, Benjamin
(appointed on 24 March 2017)
Ms. Ha Cheuk Man

PRINCIPAL BANKERS

Hang Seng Bank Limited
China Construction Bank (Asia)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8/F, St. John's Building
33 Garden Road
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

chinalng.todayir.com

STOCK CODE

931

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of China LNG Group Limited (the "Company"), I am pleased to announce the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

2016 was an exciting year for the Group to continue to expand its liquefied natural gas ("LNG") business. The Group is dedicated to promoting the use of LNG in the People's Republic of China (the "PRC"). The Group intends to develop 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 adopts a demand driven strategy targeting LNG end-users. The Group strives to ensure that it provides comprehensive services in every segment of the LNG supply chain and caters to every need of LNG end-users. In the second half of 2016, the Group commenced to carry out point-to-point LNG supply projects to industrial users.

Transportation of natural gas to end-users is mainly in two ways: 1) transmitting the pressurised gas in gaseous form to the end-users for direct use through the pipeline; 2) the natural gas is liquefied, the liquefied gas is then transported by special trucks to the LNG special storage tanks set up for end-users and the liquid is gasified by gasifiers before use.

Several major domestic pipeline gas companies have built pipelines connecting the gas stations in various cities to transport the gas from the west to the east and from Sichuan to the east for use by consumers in various cities. These pipeline companies have spent more than a decade in developing the pipelines but consumption only reaches 200 billion cubic metres every year.

There are two main problems in the current pipeline transportation. Firstly, the natural gas pipelines are basically in full load; secondly, laying of new pipelines requires land and time to finish the design and construction.

But the Chinese government has set the target of doubling the consumption of natural gas from 200 billion cubic metres to 400 billion cubic metres per year in the coming five years, and it is apparent that such goal cannot be achieved if we only rely on supply from pipelines. Therefore, liquefying the natural gas and transport to the end-users directly by heavy tankers should be one of the major way for the PRC to promote the natural gas utilisation during the 13th Five-Year Plan.

The Group is carrying out its business planning in two aspects in order to meet the demand of the domestic natural gas development. The Group stimulates the end-user demand by the support of finance lease of heavy trucks utilising LNG as fuel and for inland vessels to transform itself to utilise LNG instead of oil; builds road and water LNG refuelling stations simultaneously to sell LNG and earn a reasonable return.

For the end-user market, the Group has solely or jointly invested in approximately 20 companies in Tianjin, Hebei, Shandong, Henan, Shanxi, Shaanxi, Anhui, Jiangsu, Zhejiang and Hubei, and directly supply LNG to the users who utilise LNG instead of coal for industrial boilers.

For the middle-end market, the Group is planning to invest in the building of several LNG transport fleets. The Group plans to build a fleet of around 200 LNG special trucks each in Eastern China, Northern China and Northwest China.

The Group is also planning to build LNG storage stations. 7 central stations and regional clean energy supply centers in Xingtai and Shijiazhuang in Hebei province, Jinan in Shandong province, Xuzhou in Jiangsu province, Tongcheng in Anhui province, Zhenhai in Zhejiang province, Huanggang in Hubei province, Zhoushan in Zhejiang province etc.

For the upstream market, the Group plans to import overseas natural gas and underwriting the sales of LNG from LNG factories in Shaanxi Province to ensure the stability of the source of our own gas supply. The Group is working with another energy group in Shenzhen to build a LNG receiving station and transmission station.

* *For identification purposes only*

Chairman's Statement

With a view to optimising 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. We have great confidence in the prospects of our LNG business.

RESULTS

The gradual recovery of global oil prices since the beginning of 2016 coupled with the continuous promotion of natural gas utilisation projects including "coal-to-gas" conversion by the PRC government with an aim to improve air quality led to the increase in market demand for natural gas and upward adjustment of natural gas price. The PRC government implemented 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. As an environmentally and globally responsible company, the Group will continue to promote clean energy by encouraging LNG usage.

The Group continued to maintain a substantial growth during the year in face of both opportunities and challenges. Revenue and profit attributable to equity shareholders for the year reached HK$200.7 million and HK$92.0 million respectively, representing an increase of 550.7% and a decrease of 77.1% respectively over last year. Earnings per share decreased by 77.5% to HK0.16 cents.

During 2016, the Group entered into new finance lease arrangements with mainly logistic and finance leasing companies in the PRC for 789 (2015: 1,405) heavy duty LNG vehicles including tractors and trailers and mainly ship manufactures for 7 (2015: nil) LNG vessels, with the leasing principal amount of HK$214.8 million (2015: HK$257.9 million).

During 2016, a total of 17 new point-to-point LNG supply contracts entered into by the Group with customers for their LNG pilot burners and boilers has commenced operation. The total point-to-point LNG supply volume is 1.4 million cubic metres.

During 2016, a total of 16 new wholesale of LNG contacts entered into by the Group with customers has commenced trading. The total wholesale of LNG volume is 4.8 million cubic metres.

PROSPECTS

The Group is very optimistic about the development of the LNG market in the PRC. Under the 13th Five-Year Plan approved by the Chinese government, the proportion of natural gas utilisation will be increased from 6.3% to 10%, representing an increase in the volume of utilisation from 200 billion cubic metres to 400 billion cubic metres every year.

In December 2016, the Beijing city government issued a pollution "red alert" for more than 7 days, shutting schools, ordering thousands of vehicles off the roads and instructing residents to stay indoors. The Ministry of Environmental Protection of the PRC reported that 24 cities other than Beijing across Northern and Central China had also declared pollution red alerts, including Tianjin, Shijiazhuang, Taiyuan and Zhengzhou. The widespread air pollution had posed disruption to the citizens' daily life in the PRC.

Most cities in the PRC are overwhelmed with severe air pollution and suffered from the problems of haze and smog, with PM2.5 exceedance of emission. Hence, the development and widely use of clean energy is a matter of urgency and one of the best solutions to reduce pollution.

Looking forward to 2017, the Chinese government will make efforts to combat against the excessive release of PM2.5 and accelerate the implementation of coal-to-gas transformation and the use of clean energy. The supply level of natural gas and the demand for point-to-point LNG supply shall grow significantly.

The Company aims at promoting the use of LNG in cooperation with the green energy strategy of the PRC. The Company will continue to make investment through understanding and support of local governments of the PRC and people from different backgrounds. Apart from the fact that the prospect of our LNG businesses in the PRC is exceptionally brilliant and bright that will be profitable for our shareholders, we shall share the responsibility to help recreate a white cloud and blue sky for our next generation in the PRC.

ACKNOWLEDGEMENT

I would like to thank our dedicated management team and employees for their contributions that enable the Group to achieve the strategic transformation and sustainable growth. At the same time, I want to express my sincere gratitude to our partners, customers and in particular, our shareholders, for their continuous support and trust in the Group's progress. We will work hard as always to generate better returns for our shareholders and other interested parties.

Kan Che Kin, Billy Albert
Chairman

Hong Kong, 28 March 2017

Management Discussion and Analysis

BUSINESS REVIEW

LNG

During the year ended 31 December 2016, 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. The Group commenced to carry out point-to-point LNG supply projects to industrial users. The development of point-to-point supply of LNG to industrial users is anticipated to be promising with tremendous market potential. The Group will step up to expand the point-to-point supply of LNG throughout the PRC to cater the needs of industrial users.

Finance leasing

During the year ended 31 December 2016, the Group entered into finance lease arrangements with logistic and finance leasing companies in the PRC for 789 heavy duty LNG vehicles including tractors and trailers and 7 LNG vessels with the aggregate leasing principal amount of approximately HK$214.8 million.

Since the date of commencement of the finance lease business up to 31 December 2016, the accumulated leasing principal amount was approximately HK$472.7 million in relation to finance leasing of 2,194 heavy duty LNG vehicles, 7 LNG vessels and 10 sets of LNG storage equipment.

Our revenue generated from the finance lease business was approximately HK$15.8 million, accounting for approximately 7.9% of the Group's total revenue during the year ended 31 December 2016.

Sales and distribution of LNG

Point-to-point supply of LNG

During the year ended 31 December 2016, the Group recorded point-to-point supply of LNG of a total volume of 1,396,912 cubic metres mainly through LNG tankers. The Group recorded our revenue in relation to LNG point-to-point supply of HK$4.1 million, accounting for approximately 2.0% of the Group's total revenue. The Group has commenced the point-to-point supply of LNG in the second half of 2016. The LNG was sold to industrial users.

Wholesale of LNG

During the year ended 31 December 2016, the Group recorded wholesale of LNG of a total volume of 4,791,364 cubic metres mainly through LNG tankers. The Group recorded revenue in relation to wholesale of LNG of HK$10.3 million, accounting for approximately 5.1% of the Group's total revenue. The Group has commenced the wholesale of LNG in the second half of 2016.

Trading of securities

The Group continues to conducts its trading of Hong Kong securities business through Key Fit Group Limited ("Key Fit") 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 represented a significant discount to the recent trading price of the GS Share, which gave 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 was based on the closing price of HK$0.227 per GS Share as quoted on the Stock Exchange on 20 May 2016.

As at 31 December 2016, Key Fit continues to hold the 1,116,000,000 GS Shares which were purchased at the consideration of HK$0.035 per Sale Share. The closing price per GS Share as quoted on the Stock Exchange was HK$0.164 that gives rise to an unrealised gain of HK$144.0 million included in the net of gain on bargain purchase of financial assets at fair value through profit or loss of HK$275,625,000 and loss on fair value changes of financial assets at fair value through profit or loss of HK$129,456,000.

Securities brokerage

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

CHKCAM 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"). CHKCAM 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 31 December 2016, the Group holds two residential properties (the "Properties") located in Central Mid-levels (the "Central Property") and Repulse Bay (the "Repulse Bay Property"). The Central Property was leased out during the year ended 31 December 2016 at HK$70,000 per month, and the Repulse Bay Property was also leased out with the commencement of lease term since 30 June 2016 at HK$50,000 per month.

Financial services

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 year ended 31 December 2016, all the loans granted under the money lending business of the Group were secured loans and were funded by internal resources.

As at 31 December 2016, loan receivables derived from the money lending business was approximately HK$209.8 million.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue increased by 550.7% or HK$169.9 million from HK$30.8 million for the year ended 31 December 2015 to HK$200.7 million for the year ended 31 December 2016.

Revenue derived from provision of finance leasing services for LNG vehicles, vessels and equipment increased by 262.7% or HK$11.4 million from HK$4.4 million for the year ended 31 December 2015 to HK$15.8 million for the year ended 31 December 2016.

Revenue derived from sales and distribution of LNG including point-to-point supply of LNG of HK$4.1 million and wholesale of LNG of HK$10.3 million was in aggregate of HK$14.4 million. No such revenue was recognised in 2015 because the Group has only commenced the business in the second half of 2016.

Revenue derived from trading of securities increased by 616.9% or HK$125.5 million from HK$20.3 million for the year ended 31 December 2015 to HK$145.8 million for the year ended 31 December 2016 mainly because of the recognition of unrealised gain from holding the 1,116,000,000 GS Shares.

Revenue derived from provision of securities brokerage, margin financing and securities investments business was HK$4.1 million during the year ended 31 December 2016. No such revenue was recognised in 2015 because the Group has only commenced the business in May 2016.

Revenue derived from investment properties increased by 35.7% or HK$0.3 million from HK$0.8 million for the year ended 31 December 2015 to HK$1.1 million for the year ended 31 December 2016 due to the commencement of lease term for the Repulse Bay Property since 30 June 2016.

Based on the independent valuation of the Properties, the aggregate values of the Properties remained relatively stable at HK$66.0 million and HK$65.3 million as at 31 December 2016 and 31 December 2015, respectively.

Revenue derived from the financial services through provision of money lending business increased by 267.8% or HK$14.3 million from HK$5.3 million for the year ended 31 December 2015 to HK$19.6 million for the year ended 31 December 2016 because of the increase in the numbers of borrowers.

Cost of sales

The Group has recognised cost of sales of HK$14.0 million in respect of the sales and distribution of LNG business including point-to-point supply of LNG and wholesale of LNG in the second half of 2016.

The Group has recorded no cost of sales in relation to the LNG finance leasing business, trading of securities business, securities brokerage business, properties investment and financial services through provision of money lending business.

Other income

Other income decreased by 97.0% or HK$411.6 million from HK$424.5 million for the year ended 31 December 2015 to HK$12.9 million for the year ended 31 December 2016. It was mainly due to recognition of a one-off gain on disposal of 39.58% equity interest in Key Fit for the year ended 31 December 2015.

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. Our share of results of associates increased by 15,599.0% or HK$32.8 million from HK$0.2 million for the year ended 31 December 2015 to HK$33.0 million for the year ended 31 December 2016 because Key Fit was a wholly-owned subsidiary of the Company for the period from 1 January 2015 to 10 December 2015 and therefore no share of results was derived from Key Fit as a subsidiary of the Company.

Selling and distribution expenses

Selling and distribution expenses increased by 129.0% or HK$11.5 million from HK$8.9 million for the year ended 31 December 2015 to HK$20.4 million for the year ended 31 December 2016 because of the significant increase in salaries and employee benefit expenses, travelling and entertainment expenses for selling staff following the continuing expansion of the LNG businesses in the PRC during the year ended 31 December 2016.

Administrative expenses

Administrative expenses increased by 27.9% or HK$12.6 million from HK$45.1 million for the year ended 31 December 2015 to HK$57.6 million for the year ended 31 December 2016 because of the significant increase in salaries and employee benefit expenses, office rental expenses and travelling expenses for administrative and managerial staff following the continuing expansion of the LNG businesses in the PRC during the year ended 31 December 2016.

Income tax expense

Income tax expense increased by 318.7% or HK$1.8 million from HK$0.6 million for the year ended 31 December 2015 to HK$2.3 million for the year ended 31 December 2016 because of the increase in taxable income from trading of securities business and money lending business.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

The Group had total cash and bank balances of HK$662.5 million as at 31 December 2016 (31 December 2015: HK$170.0 million). There was no borrowing as at 31 December 2016 and 2015. Therefore, no gearing ratio of the Group as at 31 December 2016 and 2015 was calculated. Net assets (including non-controlling interests) were HK$1,382.3 million as at 31 December 2016 (31 December 2015: HK$847.9 million). The Group recorded total current asset value of HK$1,353.4 million as at 31 December 2016 (31 December 2015: HK$386.4 million) and total current liability value of HK$244.7 million as at 31 December 2016 (31 December 2015: HK$274.5 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was 5.5 as at 31 December 2016 (31 December 2015: 1.4). The current ratio continues to maintain at a healthy 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 external loans from large Hong Kong/PRC commercial banks and fund raising activities would be able to satisfy the funding needs in 2017 for its finance leasing business and the start-up capital expenditure for its infrastructure investments.

Management Discussion and Analysis

RISK MANAGEMENT

Our principal financial instruments include financial assets at fair value through profits or loss, loan receivables, receivables under LNG finance arrangements, LNG finance lease receivables, accounts and other receivables and cash and cash equivalents. The main purpose of these financial instruments is to support our LNG businesses, trading of securities business, securities brokerage, margin financing and securities investment 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 year. 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 years ended 31 December 2016 and 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 engaging in sales and distribution of LNG, providing securities brokerage, margin financing and securities investments services 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 security deposit and collaterals which we may apply towards the payment or discharge of any obligation owned by the lessee for the finance leasing business.

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, accounts and other receivables and financial assets of our Group as at 31 December 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 31 December 2016 and 2015.

SIGNIFICANT INVESTMENT

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 the 1,125,000,000 Sale Shares for the consideration of HK$39,375,000. The consideration of HK$0.035 per Sale Share represented a significant discount to the recent trading price of the GS Share, which gave 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 was based on the closing price of HK$0.227 per GS Share as quoted on the Stock Exchange on 20 May 2016.

On 6 September 2016, all of the conditions precedent under the sale and purchase agreement has been fulfilled and the completion took place. It gives rise to the gain on bargain purchase of financial assets at fair value through profit or loss of HK$275,625,000, being the excess of the fair value amounting to HK$315,000,000 over the consideration of HK$39,375,000. The fair value of the sale shares of HK$275,675,000 was based on the closing price of HK$0.28 per GS Share as quoted on the Stock Exchange on 6 September 2016.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 30 June 2016, the Group, Tiandao New Energy Technology Co., Ltd.*（天道新能源科技有限公司）("Tiandao") and Lihua Energy Storage Transportation Co., Ltd.*（利華能源儲運股份有限公司）("Lihua Energy") 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 sales 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.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries or associated companies during the year ended 31 December 2016.

CAPITAL COMMITMENTS

As of 31 December 2016, the total capital commitments by the Group amounted to approximately HK$3 billion which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and machinery, capital contribution to subsidiaries, and acquisition of a subsidiary.

SEGMENTAL INFORMATION

Details of segmental information for the year ended 31 December 2016 are set out in note 7 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2016 and 2015.

Management Discussion and Analysis

STAFF AND REMUNERATION POLICIES

Human resources are our greatest assets. The Group always regards the personal development of our employees as highly important. The Group believes to maintain employees' passion and enthusiasm as the key to its continued success and future development. Therefore, the Group has always placed its emphasis on the importance to talent cultivation and recruitment. The Group invests in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills.

As at 31 December 2016, the Group had 222 employees (31 December 2015: 78 employees). The Group's total staff costs amounted to approximately HK$41.4 million (31 December 2015: HK$23.9 million) for the year ended 31 December 2016. 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.

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, risk management and internal control. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2016 and was of the opinion that the audited consolidated financial statements of the Group have been properly prepared in accordance with the statutory requirements and applicable accounting standards.

The Audit Committee currently comprises three independent non-executive directors (the "INEDs") of the Company, namely Mr. Li Siu Yui, Mr. Au Yeung Po Fung and Mr. Lam Lum Lee.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Kan Che Kin, Billy Albert ("Mr. Kan")

Mr. Kan, aged 64, was appointed as an executive Director, the chairman and the chief executive officer of the Company in May 2013. Mr. Kan graduated from the University of East Anglia in the United Kingdom with a Bachelor of Science degree. Mr. Kan further received a degree of Doctor of Civil Law honoris causa from the University of East Anglia in July 2016. Mr. Kan is an associate member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and a fellow of the Hong Kong Securities Institute. Mr. Kan had worked with Deloitte Touche Tohmatsu and KPMG and is equipped with extensive experience in accounting, taxation and corporate finance. Mr. Kan is currently the Vice President of the Trade and Logistics Branch of the China General Chamber of Commerce. In addition, Mr. Kan has over 30 years of experience in serving on the board of directors of financial institutions and listed companies in Hong Kong, including Security Pacific Credit Hong Kong Limited (a subsidiary of Security Pacific National Bank, taken over by Bank of America then by China Construction Bank), Burlingame International Company Limited (now renamed as EverChina Int'l Holdings Company Limited) (stock code: 202) and Warderly International Holdings Limited (now renamed as Fullshare Holdings Limited) (stock code: 607). Mr. Kan resigned as a director of EverChina Int'l Holdings Company Limited in September 2000 and of Fullshare Holdings Limited in December 2013. Mr. Kan is also a director of several wholly-owned subsidiaries of the Company. Ms. Li Shu Han, Eleanor Stella is a niece of Mr. Kan, Mr. Li Kai Yien, Arthur Albert is a nephew of Mr. Kan.

Mr. Chen Li Bo ("Mr. Chen")

Mr. Chen, aged 67, was appointed as an executive Director and the deputy chairman of the Company in January 2015. Mr. Chen graduated from China's Northeastern University of Finance (formerly the Liaoning Institute of Finance), worked for the China Construction Bank for over 15 years and was a vice president of the Pudong branch. Mr. Chen worked over 14 years for HKC (Holdings) Limited, whose predecessor is Kumagai Gumi (Hong Kong) Limited 熊谷組(香港)有限公司 and was their executive director, chief operating officer, deputy chairman and chief executive officer. Mr. Chen has served on the board of directors of two listed companies in Hong Kong, including HKC (Holdings) Limited (stock code: 190) and J.I.C. Technology Company Limited (now renamed as China Renewable Energy Investment Limited) (stock code: 987). He resigned as director of HKC (Holdings) Limited and China Renewable Energy Investment Limited in 2008. Mr. Chen has extensive experience in finance and corporate affairs in China.

Mr. Li Kai Yien, Arthur Albert ("Mr. Li")

Mr. Li, aged 44, was appointed as an executive Director in October 2007. Mr. Li graduated from University of Southern California with a Bachelor of Science degree in 1995. Mr. Li has been a Certified Public Accountant since 2001 and has more than 10 years' experience in accounting and securities dealing. Mr. Li is currently a dealer representative of Phillip Securities (HK) Ltd. Mr. Li is a nephew of Mr. Kan and brother of Ms. Li.

NON-EXECUTIVE DIRECTORS

Mr. Simon Murray ("Mr. Murray")

Mr. Murray, aged 77, was appointed as a non-executive Director in April 2015. Mr. Murray served as an independent non-executive Director from October 2014 to April 2015. Mr. Murray has been awarded the CBE (Commander of the British Empire) by H.M. The Queen, and the Order of Merit of the French Republic and is a "Chevalier de La Legion d'Honneur". He holds an Honorary Degree in law, from Bath University and attended the (SEP) Stanford Executive Programme in the United States.

Mr. Murray is currently the non-executive chairman of General Enterprise Management Services Limited (GEMS Ltd.), a private equity fund management company. He is a non-executive director of Greenheart Group Limited (Stock Code: 94) and independent non-executive director of IRC Limited (Stock Code: 1029), Cheung Kong Property Holding Limited (Stock Code: 1113), Orient Overseas (International) Limited (Stock Code: 316), Wing Tai Properties Limited (Stock Code: 369) and Spring Asset Management Limited (Stock Code: 1426), the manager of Spring Real Estate Investment Trust, all of which are companies listed on the Stock Exchange. He is also a non-executive director of Compagnie Financière Richemont SA, a company listed in Switzerland.

Biographical Details of Directors and Senior Management

He has been an independent non-executive director and vice chairman of Essar Energy Plc from April 2010 to May 2014, and the chairman and an independent non-executive director of Gulf Keystone Petroleum Ltd. from July 2013 to March 2015, both companies are listed in the United Kingdom. He was formerly an independent non-executive director of Hutchison Whampoa Limited (Stock Code:13), CK Hutchison (Holdings) Limited (with effect from 18 March 2015, Cheung Kong (Holdings) Limited became a wholly owned subsidiary of CK Hutchison Holdings Limited and its listing status was replaced by CK Hutchison (Stock Code: 0001)), Arnhold Holdings Limited (renamed to Summit Ascent Holdings Limited after his resignation on 24 March 2011) and a non-executive chairman of Glencore International Plc (renamed to Glencore Xstrata Plc)(Stock Code: 805), all are companies listed in Hong Kong. He was an independent director of Sino-Forest Corporation, previously listed in Canada and a non-executive director of Vodafone Group Plc, a company listed in the United Kingdom.

Dr. Lam, Lee G. ("Dr. Lam")

Dr. Lam, aged 57, was appointed as a non-executive Director in April 2015. Dr. Lam served as an independent non-executive Director from October 2014 to April 2015.

Dr. Lam holds a BSc in sciences and mathematics, an MSc in systems science and an MBA from the University of Ottawa in Canada, a post-graduate diploma in public administration from Carleton University in Canada, a post-graduate diploma in English and Hong Kong Law and an LLB (Hons) in law from Manchester Metropolitan University in the UK, a LLM in law from the University of Wolverhampton in the UK, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, an MPA and a PhD from the University of Hong Kong. A former member of the Hong Kong Bar, Dr. Lam is a Solicitor of the High Court of Hong Kong and an Honorary Fellow of CPA Australia.

Dr. Lam has over 30 years of multinational general management, strategy consulting, corporate governance, investment banking, direct investment and investment fund management experience, and also serves on the board of directors, the investment committee and the advisory committee of a number of publicly-listed companies, investment funds and NGOs in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, a Member of the Legal Aid Services Council, a Member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, and as a Member of the New Business Committee of the Financial Services Development Council (FSDC), Dr. Lam is a Member of the Jilin Province Committee (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference, a Vice Chairman of Liaoning Chinese Overseas Friendship Association, a Member of the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited (HKEx), a Member of UNESCAP Task Force on Banking and Finance, Honorary Chairman – Asia Pacific of CMA Australia, a Member of Sir Murray MacLehose Trust Fund Investment Advisory Committee, a Member of the Hong Kong Institute of Bankers, a Member of the World Presidents' Organisation, a Member of the Chief Executives Organisation, a Fellow of the Hong Kong Institute of Directors and the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Member of the Hong Kong – Thailand Business Council, a Founding Member of the Hong Kong – Korea Business Council, a Board Member of the Australian Chamber of Commerce in Hong Kong and Macau, a Founding Board Member and the Honorary Treasurer of the Hong Kong – Vietnam Chamber of Commerce, a Vice President of the Hong Kong Real Property Federation, Chairman of Monte Jade Science and Technology Association of Hong Kong and President of Hong Kong-ASEAN Economic Cooperation Foundation.

Dr. Lam is currently an independent non-executive director of CSI Properties Limited (Stock Code:497), Glorious Sun Enterprises Limited (Stock Code: 393), Mei Ah Entertainment Group Limited (Stock Code: 391), Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), Vongroup Limited (Stock Code: 318), Sino Resources Group Limited (Stock Code: 223), all of which are companies listed on the Stock Exchange. He is an independent/non-executive director of Rowsley Limited (Stock Code: A50), Asia-Pacific Strategic Investments Limited (Stock Code: 5RA) and Top Global Limited (Stock Code: 519), all of which are companies listed on the Stock Exchange of Singapore. He is also an independent/non-executive director of Sunwah International Limited (Stock Code: TSX SWH) (listed on the Toronto Stock Exchange), Vietnam Equity Holding (Stock Code: 3MS) and Vietnam Property Holding (Stock Code: 3MT) (both companies are listed on the Stuttgart Stock Exchange) and Coalbank Limited (Stock Code: ASX CBQ) (listed on the Australian Stock Exchange).

Biographical Details of Directors and Senior Management

He has been an independent/non-executive director of Heng Fai Enterprises Limited (now renamed as ZH International Holdings Limited) (Stock Code:185) from July 2014 to July 2015, Imagi International Holdings Limited (Stock Code: 585) from May 2010 to January 2016, Mingyuan Medicare Development Company Limited (Stock Code: 233) from September 2014 to May 2015, UDL Holdings Limited (Stock Code: 620) from October 2015 to December 2015, Ruifeng Petroleum Chemical Holdings Limited (Stock Code: 8096) from July 2014 to March 2015, Hutchison Harbour Ring Limited (now renamed as China Oceanwide Holdings Limited) (Stock Code: 715) from September 2004 to December 2014, Far East Holdings International Limited (Stock Code: 36) from September 2004 to October 2014, China Communication Telecom Services Co., Ltd (Stock Code: 8206) from January 2013 to March 2014 and Wai Chun Mining Industry Group Co., Limited (Stock Code: 660) from January 2013 to May 2013, all companies are listed on the Stock Exchange. He was also as independent non-executive director of Next-Generation Satellite Communications Limited (Stock Code: B07) (listed on the Stock Exchange of Singapore) from January 2009 to August 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Siu Yui

Mr. Li Siu Yui, aged 46, was appointed as an independent non-executive Director in October 2007. He holds a Master's degree in Business Administration from University of Wales. He has over 15 years' experience in the area of investment. He was working in securities companies during the period from 1997 to 2002. Afterward, he has been engaged as an investment manager in two private companies.

Mr. Au Yeung Po Fung ("Mr. Au Yeung")

Mr. Au Yeung, aged 49, was appointed as an independent non-executive Director in July 2016. Mr. Au Yeung holds the Bachelor of Arts (Honours) Degree in Finance from the Hong Kong Polytechnic University, is a fellow member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, a charter holder of the CFA Institute, and a member of Hong Kong Society of Financial Analysts.

Mr. Au Yeung is currently the assistant chief financial officer of South China Holdings Company Limited (HKEX stock code: 413). He served as the vice president and the chief financial officer of several property developers including Fosun International Limited (HKEX stock code: 656), Sun Hung Kai Properties Limited (HKEX stock code: 16), Powerlong Real Estate Holdings Limited (HKEX stock code: 1238) and Greenland Hong Kong Holdings Limited (HKEX stock code: 337), all of the companies are listed on the Stock Exchange of Hong Kong Limited. Mr. Au Yeung has been in charge of financial management for a number of companies across different industries, including property developers, financial institutions, conglomerates and international audit firm totally more than 23 years of experience.

Mr. Lam Lum Lee ("Mr. Lam")

Mr. Lam, aged 71, was appointed as an independent non-executive Director in May 2015. Mr. Lam, is currently chairman of China Information Industry Association (中華信息產業聯合會) and chairman of China Culture & Education Foundation (中華文化教育基金會). He was a committee member of Hong Kong Vocational Training Council of Electronic and Telecommunication Division (香港職業訓練局通訊及電子委員會), the president of Hong Kong Critical Components Manufacturers Association (香港關鍵性零部件製造業協會), the vice chairman of Hong Kong Electronic Technology Association (香港電子科技商會), and a director of Hong Kong Optoelectronic Association (香港光電子協會).

SENIOR MANAGEMENT

Mr. Keung Chi Lap, Benjamin ("Mr. Keung")

Mr. Keung, aged 37, was appointed as the company secretary of the Company and chief financial officer in March 2017. Mr. Keung holds a Bachelor Degree in Accounting and Finance from The University of Hong Kong. He is a fellow member of The Association of Chartered Certified Accountants. He has extensive experience in financial management, auditing, taxation, and company secretarial matters.

Corporate Governance Report

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standards of accountability and protect interests of shareholders of the Company and other stakeholders.

The Company has complied with the code provisions of the Corporate Governance Code during the year ended 31 December 2016 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 year. 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. 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 INEDs and non-executive Directors ("NEDs") 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. Two of the NEDs, Mr. Murray and Dr. Lam, and one INED, Mr. Au Yeung, were unable to attend the general meeting held on 1 September 2016; one NED, Dr. Lam, and one INED, Mr. Lam, were unable to attend the general meeting held on 24 May 2016 as they had other business engagements. However, they subsequently requested the joint company secretaries 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 NEDs and INEDs was ensured.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (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 year ended 31 December 2016.

BOARD OF DIRECTORS

The Board currently comprises eight Directors, with two NEDs and three INEDs. The composition of the Board during the year is set out as follows:

Executive Directors

Mr. Kan Che Kin, Billy Albert *(Chairman)* (Note 1)
Mr. Chen Li Bo *(Deputy Chairman)*
Mr. Li Kai Yien, Arthur Albert (Note 1)
Ms. Li Shu Han, Eleanor Stella (resigned on 9 September 2016)

Non-Executive Directors

Mr. Simon Murray
Dr. Lam, Lee G.

Independent Non-Executive Directors

Mr. Li Siu Yui
Mr. Lam Lum Lee
Mr. Au Yeung Po Fung (appointed on 22 July 2016)
Mr. Ip Woon Lai (resigned on 22 July 2016)

Note 1 Mr. Li Kai Yien, Arthur Albert is the nephew of Mr. Kan.

The Board is responsible for approving and monitoring the Group's strategies, policies and business plans, revaluating the performance of the Group and supervising the work of management. The management is responsible for the daily operations of the Group including the preparation of annual and interim accounts for Board approval before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and ensuring compliance in accordance with the relevant statutory requirements and rules and regulations.

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules that requires every board of directors of a listed issuer must include at least three independent non-executive Directors and at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise.

For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. The Board follows the requirements set out in the Listing Rules to determine the independence of Directors. The Company has received from each of the INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers the INEDs are independent.

The INEDs are not appointed for specific terms but are subject to retirement by rotation and re-election in accordance with the Articles of Association at least once every three years.

Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices. According to the training records provided to the Company by the individual Directors, the Directors have read journals, regulatory updates and/or attended external seminars and programmes with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2016.

The roles of the chairman and the chief executive officer were both held by Mr. Kan during the year. 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.

Two of the NEDs, Mr. Murray and Dr. Lam, and one INED, Mr. Au Yeung, were unable to attend the general meeting held on 1 September 2016; one NED, Dr. Lam, and one INED, Mr. Lam, were unable to attend the general meeting held on 24 May 2016 as they had other business engagements. However, they subsequently requested the joint company secretaries 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 NEDs and INEDs was ensured.

Corporate Governance Report

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") on 1 September 2013 which sets out the approach to achieve diversity on the Board. A summary of this policy together with the measureable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

Summary of the Board Diversity Policy

The Company recognises and embraces the benefits of having a diversed Board to enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to age, experience, cultural and educational background, expertise, skills and know-how.

Monitoring and Reporting

The nomination committee of the Company (the "Nomination Committee") will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy and monitor the implementation of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

A copy of the Board Diversity Policy has been published on the Stock Exchange's website for public information.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") consists of one executive Director and two independent non-executive Directors and its members during the year were:

Mr. Li Siu Yui *(Chairman)*
Mr. Kan Che Kin, Billy Albert
Mr. Au Yeung Po Fung (appointed on 22 July 2016)
Mr. Ip Woon Lai (resigned on 22 July 2016)

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies to all Directors and the senior management, to review and approve the management's proposals with reference to the Board's corporate goals and objectives, to determine the remuneration packages of individual executive Directors and senior management, including benefits-in-kind, pension rights and compensation payments, and to make recommendation to the Board on the remuneration of the non-executive Directors.

In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management, the Remuneration Committee takes into account the performance of the Group as well as individual Directors and senior management.

The terms of reference of the Remuneration Committee, which described its authority and duties, are available on the Company's website.

No Directors can determine their own remuneration package. During the year, the Remuneration Committee held one meeting. Matters considered at the meeting included revision of the compensation payable to all Directors and senior management of the Group and recommendation to the Board on the Group's remuneration policy and structure.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2016 is set out below:

Remuneration bands	Number of persons
Nil to HK$1,000,000	33
HK$1,000,001 to HK$1,500,000	2

Directors' emoluments comprise payments to the Directors by the Group in connection with the management of the affairs of the Group and other benefits. Further particulars regarding directors' remuneration and the five highest paid employees are shown in note 9 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee was formed to review and supervise the financial reporting process, risk management and internal control of the Company. The Audit Committee comprises solely the three INEDs and both Mr. Ip Woon Lai and Mr. Au Yeung Po Fung possess the appropriate professional qualifications, business and financial experience and skills. The Audit Committee members during the year were:

Mr. Li Siu Yui *(Chairman)*
Mr. Lam Lum Lee
Mr. Au Yeung Po Fung (appointed on 22 July 2016)
Mr. Ip Woon Lai (resigned on 22 July 2016)

The Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's interim and annual results, to review the scope, extent and effectiveness of risk management and internal control of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determine is necessary and to perform investigations.

The terms of reference of the Audit Committee, which described its authority and duties, are available on the Company's website.

During the year, the Audit Committee held three meetings. Matters considered at the meetings included revision of the Group's 2015 annual results, 2016 interim results, the fees for engaging the external auditors to provide the audit for the year 2015 and the interim review for the year 2016, the independence of the external auditors, the fees for non-audit services, the Company's financial control, internal control and risk management system, accounting and finance matters.

NOMINATION COMMITTEE

The Company has established the Nomination Committee in October 2007. The Nomination Committee consists of one executive Director and two independent non-executive Directors and its members during the year were:

Mr. Li Siu Yui *(Chairman)*
Mr. Kan Che Kin, Billy Albert
Mr. Au Yeung Po Fung (appointed on 22 July 2016)
Mr. Ip Woon Lai (resigned on 22 July 2016)

The Nomination Committee has established formal procedures for the appointments of new Directors and re-nomination and re-election of Directors. In nominating candidates for appointment of Directors, the Nomination Committee will consider their necessary expertise and experience. The Nomination Committee held one meeting during the year. Matters considered at the meeting included revision of the structure, size and composition of the Board, qualifications for all Directors and senior management of the Group and independence of the independent non-executive Directors.

The terms of reference of the Nomination Committee, which described its authority and duties, are available on the Company's website.

DIRECTORS' ATTENDANCE AT BOARD, REMUNERATION COMMITTEE, NOMINATION COMMITTEE AND AUDIT COMMITTEE MEETINGS AND GENERAL MEETINGS

Directors	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Annual general meeting	Extraordinary general meeting
	Attendance/Number of meetings held during the year					
Executive Directors						
Mr. Kan Che Kin, Billy Albert *(Chairman)*	4/4	N/A	1/1	1/1	1/1	0/1
Mr. Chen Li Bo *(Deputy Chairman)*	4/4	N/A	N/A	N/A	0/1	0/1
Ms. Li Shu Han, Eleanor Stella (resigned on 9 September 2016)	4/4	N/A	N/A	N/A	0/1	0/1
Mr. Li Kai Yien, Arthur Albert	4/4	N/A	N/A	N/A	1/1	1/1
Non-Executive Directors						
Mr. Simon Murray	4/4	N/A	N/A	N/A	1/1	0/1
Dr. Lam, Lee G.	3/4	N/A	N/A	N/A	0/1	0/1
Independent Non-Executive Directors						
Mr. Li Siu Yui	4/4	3/3	1/1	1/1	1/1	1/1
Mr. Lam Lum Lee	4/4	3/3	N/A	N/A	0/1	1/1
Mr. Au Yeung Po Fung (appointed on 22 July 2016)	2/2 (during appointment period)	1/1 (during appointment period)	N/A	N/A	0/0 (during appointment period)	0/1 (during appointment period)
Mr. Ip Woon Lai (resigned on 22 July 2016)	2/2	2/2	1/1	1/1	1/1	0/0

AUDITOR'S REMUNERATION

The amount of auditor's remuneration for the year ended 31 December 2016 was HK$682,000. Messrs. PKF also provided non-audit services including taxation services to the Group of HK$52,000 for the year ended 31 December 2016. In considering the re-appointment of the external auditors, the Audit Committee has taken into consideration their relationship with the Company and their independence in the provision of non-audit services. Based on the results of the review and after taking into account the opinion of the management of the Group, the Audit Committee recommended the Board to re-appoint Messrs. PKF as the external auditors of the Company for the year ending 31 December 2017, subject to approval by the Shareholders at the forthcoming annual general meeting to be held on 2 June 2017. There is no former partner of the existing firm auditing the accounts of the Company acting as a member of the Audit Committee within one year commencing on the date of his ceasing to be a partner of the firm. In addition, the Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered.

INTERNAL CONTROL

During the year ended 31 December 2016, the Board through the Audit Committee, has conducted a review of the effectiveness of the system of internal control of the Group to ensure that a sound internal control system is maintained and operated by the management in compliance with the agreed procedures and standards. The review has covered all material aspects of internal control including financial, operational and compliance controls and risk management functions of the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Group for the year ended 31 December 2016. The Directors ensure that the audited consolidated financial statements of the Group for the year ended 31 December 2016 have been properly prepared in accordance with the statutory requirements and applicable accounting standards.

A report of the independent auditors of the Group is set out on pages 29 to 33 of this annual report.

COMPANY SECRETARY

Mr. Au Yeung Ho Yin and Ms. Ha Cheuk Man, were the joint company secretaries of the Company during the year 2016 and up to March 2017. The joint company secretaries were responsible for advising the board through the chairman and the chief executive on governance matters and report to the chairman and the chief executive. During the year ended 31 December 2016, the joint company secretaries have duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Mr. Au Yeung Ho Yin and Ms. Ha Cheuk Man have resigned as joint company secretary of the Company with effect from 24 March 2017. Consequent to the above resignations, Mr. Keung Chi Lap, Benjamin has been appointed as the company secretary of the Company with effect from 24 March 2017 and becomes the sole company secretary of the Company. His biography is set out in the section entitled "Biographical Details of Directors and Senior Management" in the annual report.

COMMUNICATION WITH SHAREHOLDERS

A Shareholders' communication policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. It will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at chinalng.todayir.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website;

(iv) Annual general meeting and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management;

(v) the Company's share registrars' serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters;

(vi) Shareholders and the investment community may at any time make a request to the company secretary of the Company in writing for the Company's information to the extent such information is publicly available. The contacts details are set out in the "Company Information" section of the Company's website at chinalng.todayir.com; and

(vii) Publicly available news and information about the Company can also be sent to Shareholders who have subscribed to the service on the Company's website.

Corporate Governance Report

The Company's annual general meeting is a valuable forum for the Board to communicate directly with the Shareholders. Under Code Provision E.1.2, the chairman of the Board should attend the annual general meeting of the Company. The chairman of the Board had attended the AGM.

Mr. Li Siu Yui, the chairman of the Remuneration Committee, Audit Committee and Nomination Committee and Messrs. PKF, the external auditors of the Company had attended the AGM.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Two of the NEDs, Mr. Murray and Dr. Lam, and one INED, Mr. Au Yeung, were unable to attend the general meeting held on 1 September 2016; one NED, Dr. Lam, and one INED, Mr. Lam, were unable to attend the general meetings held on 24 May 2016 as they had other business engagements. However, they subsequently requested the joint company secretaries 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 NEDs and INEDs was ensured.

The notice to Shareholders is to be sent in the case of an annual general meeting and any extraordinary general meeting at which the passing of a special resolution is to be considered not less than 21 clear days before the meeting. All other extraordinary general meetings may be called by not less than 14 clear days' notice. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The chairman of the meeting answers questions from Shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Articles of Association, the Board shall, on the written requisition to the Board or the company secretary of the Company of the members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carrying the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting of the Company for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition.

If the Board do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionist(s) shall convene the meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting forward Proposals at a General Meeting

There are no provisions under the Articles of Association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Procedures for Proposing a Person for Election as a Director

Shareholders may by an ordinary resolution elect any individual ("Candidate") to be a Director. Candidate for election is proposed by separate resolutions put forward for Shareholders' consideration at general meetings.

According to Article 88 of the Articles of Association, any member who wishes to propose a Candidate (other than the member himself/herself) for election as a Director should observe the following nomination procedures:

1. Prepare a signed notice of intention to propose a Candidate for election. The notice has to be signed by a member other than the Candidate being proposed.

2. Obtain a notice signed by the Candidate stating his willingness to be elected.

3. Both notices, completed in accordance with Rules 13.51(2) of the Listing Rules, are to be submitted to the head office or the registration office at least 7 days before the dispatch of the notice of such general meeting.

4. Should the notice of the general meeting appointed for such election has been sent out, the period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and the last day to do so is 7 days before the date of such general meeting.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the company secretary of the Company whose contact details are set out in the "Company Information" section of the Company's website at chinalng.todayir.com.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Report of the Directors

The Board presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the principal activities of the Group are development of LNG businesses including point-to-point supply and wholesale of LNG, provision of finance leasing services for LNG vehicles, vessels and equipment in the PRC as approved by Ministry of Foreign Trade and Economic Cooperation of the PRC, trading of securities, provision of securities brokerage, margin financing and securities investments, properties investments and financial services through provision of money lending business. The principal activities of its subsidiaries are set out in note 37 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 34 and 35 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016.

SHARE CAPITAL

Details of share capital of the Company are set out in note 29(a) to the consolidated financial statements.

RELATIONSHIP WITH INVESTORS AND THE PUBLIC

We strongly value the advices from investors that provide strong support to our business improvement. We believe effective communication and accurate information disclosure builds investor confidence, and also facilitates the flow of constructive feedback and ideas that are beneficial for our investor relations and future corporate development. Besides annual reports, interim reports and announcements, we facilitate our communication between Shareholders by explaining financial and operational information through conference calls, press conference, meetings, roadshows and company visits.

ENVIRONMENTAL POLICIES

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimise our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also encourage our customers to use clean energy especially LNG for industrial use and to transform their vehicles or vessels from consuming diesel to LNG that emits 25% less carbon dioxide and 97% less carbon monoxide compared to diesel.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the PRC while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong and the PRC. During the year ended 31 December 2016 and up to the date of this report, we have complied with all the relevant laws and regulations in Hong Kong and the PRC.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 101 of the annual report.

PROPERTIES

Particulars of the properties of the Group are shown on page 102 of the annual report.

INVESTMENT PROPERTIES AND PLANT AND EQUIPMENT

Details of movements in investment properties and plant and equipment of the Group during the year are set out in notes 14 and 15 to the consolidated financial statements respectively.

SHARE OPTION SCHEME

The Company has not adopted any share option scheme as at 31 December 2016.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

Executive Directors:
Mr. Kan Che Kin, Billy Albert *(Chairman)*
Mr. Chen Li Bo *(Deputy Chairman)*
Mr. Li Kai Yien, Arthur Albert
Ms. Li Shu Han, Eleanor Stella (resigned on 9 September 2016)

Non-Executive Directors:
Mr. Simon Murray
Dr. Lam, Lee G.

Independent Non-Executive Directors:
Mr. Li Siu Yui
Mr. Lam Lum Lee
Mr. Au Yeung Po Fung (appointed on 22 July 2016)
Mr. Ip Woon Lai (resigned on 22 July 2016)

In accordance with the provisions of the Company's articles of association, Mr. Kan Che Kin, Billy Albert, Mr. Li Kai Yien, Arthur Albert and Mr. Au Yeung Po Fung will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

The Company has not entered into any service agreement with the Directors.

Each of the independent non-executive Directors was appointed in accordance with the Articles of Association.

None of the Directors being proposed for re-election at the forthcoming AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the three INEDs an annual confirmation for the year ended 31 December 2016 of his independence as required under Rule 3.13 of the Listing Rules and considers all the INEDs are independent.

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

As at 31 December 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	The Company	Beneficial owner	Long position	39,354,608,590 Shares	69.79%
	The Company	Beneficial owner	Short position	475,000,000 Shares	0.84%
Ms. Li Shu Han, Eleanor Stella (resigned on 9 September 2016)	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	0.00%
Mr. Chen Li Bo	The Company	Beneficial owner	Long position	200,000,000 shares *(Note)*	0.35%
Mr. Simon Murray	The Company	Beneficial owner	Long position	50,000,000 shares *(Note)*	0.09%
Dr. Lam, Lee G.	The Company	Beneficial owner	Long position	100,000,000 shares *(Note)*	0.18%

Note:–

These Shares represent the option shares, which were 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 31 December 2016.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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 31 December 2016.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executives of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for securities of the Company or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as set out in note 33 to the consolidated financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor had there been any contract of significance entered into between the Group and a controlling Shareholder of the Company during the year.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 9 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders of the Company as at 31 December 2016 and 2015 were as follows:

	2016 **HK$'000**	2015 HK$'000
Share premium	**428,029**	483,856
Special reserve	**112,369**	112,369
Accumulated losses	**(10,432)**	(15,096)
Total	**529,966**	581,129

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium is available for paying distributions or dividends to Shareholders of the Company subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. The Articles of Association provide that an ordinary resolution passed by the Shareholders of the Company is required for any distribution out of the share premium account. In the opinion of the Directors, the reserves of the Company available for distribution comprise share premium, contributed surplus and accumulated losses.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Report of the Directors

MAJOR CUSTOMER AND SUPPLIER

Revenue attributable to the Group's five largest customers accounted for approximately 11% of the Group's total revenue for the year ended 31 December 2016 and revenue attributable to the largest customer included therein amounted to approximately 4%. Purchases from the Group's five largest suppliers accounted for approximately 46% of the Group's total purchases for the year ended 31 December 2016 and purchases from the largest suppliers included therein amounted to approximately 11%.

None of the Directors, their respective associates or any Shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in any of the lessee or customer of the Group for the year ended 31 December 2016.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes maintained by the Group are set out in note 32 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors was interested in any business apart from the Group's business, which competed or was likely to compete either directly or indirectly with business of the Group during the year.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, there was sufficient public float throughout the year ended 31 December 2016 and as at the latest practicable date prior to the issue of this annual report.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in Section 469 of the Hong Kong Company Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Details of significant non-adjusting events after the reporting period are set out in note 41 to the consolidated financial statements.

AUDITORS

Messrs. PKF will retire and a resolution to re-appoint Messrs. PKF as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Kan Che Kin, Billy Albert
Chairman

Hong Kong
28 March 2017

Independent Auditor's Report

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

TO THE SHAREHOLDERS OF CHINA LNG GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China LNG Group Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 34 to 100, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined to communicate in our report the following key audit matters for the year ended 31 December 2016.

Business combination

We identified the accounting for acquisition of subsidiaries as a key audit matter due to the significant degree of judgement by the management of the Group in accordance with HKFRS 3 “Business Combinations” (“HKFRS 3”). As disclosed in note 34 to the consolidated financial statements in relation to the completed acquisition of subsidiaries during the year ended 31 December 2016, in application of HKFRS 3, the management applied significant judgements in assessing the acquisition-date fair values of the identifiable assets and liabilities acquired, including the estimates adopted in calculating the fair value of the identifiable assets and the liabilities assumed. The accounting policy for business combination is disclosed in note 3 to the consolidated financial statements.

Our procedures in relation to assessing the appropriateness of the accounting for the acquisition of subsidiaries included:

- Obtaining an understanding of how the management accounted for the acquisition of subsidiaries under HKFRS 3;
- Discussing with the management the key estimates adopted by the management in assessing the acquisition-date fair values of the identifiable assets and liabilities acquired;
- Evaluating the appropriateness of the method of valuation and assumptions made by the management;
- Evaluating the valuation techniques and reasonableness of the significant inputs, on a sampling basis, used by the management in relation to calculate the acquisition-date fair values of the identifiable assets and liabilities acquired in business combination to assess the reasonableness of the judgements and estimations; and
- Evaluating the recognition and measurement criteria used and disclosure made by the management.

Impairment of goodwill

We identified the impairment assessment of goodwill arising on acquisition of businesses through business combinations as a key audit matter due to the involvement of significant judgements and assumptions made by the management of the Group in the performance of this assessment. As disclosed in notes 4 and 16 to the consolidated financial statements, determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (“CGUs”) to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. The estimation uncertainty mainly included gross profit margin, discount rate and growth rate. The carrying amount of goodwill as at 31 December 2016 is HK$8,493,000 and for the purpose of impairment testing, as disclosed in note 16 to the consolidated financial statements, goodwill has been solely allocated to the CGU of sales and distribution of LNG. The management of the Group assessed that there is no significant impairment of goodwill.

Our procedures in relation to the impairment assessment of goodwill included:

- Obtaining an understanding of the basis adopted in the value in use calculations prepared by the management;
- Assessing the reasonableness of the key assumptions made by the management, including growth rates, gross profit margin and expected capital expenditure with reference to current market circumstances;
- Evaluating the reasonableness of the financial budgets approved by the management and the cash flow projections by comparing with the industry or market data and the Group’s business plan;
- Evaluating the appropriateness of discount rate applied in the forecast by comparing them to industry and market data; and
- Checking the sensitivity analysis performed by management in respect of the growth rates and discount rates to evaluate the extent of impact on the calculations of the value in use.

Impairment of loan receivables, receivables under LNG finance lease arrangements and LNG finance lease receivables

We identified the impairment of loan receivables, receivables under LNG finance lease arrangements and LNG finance lease receivables as a key audit matter due to the significance of balances to the consolidated financial statements as a whole, combined with the significant degree of judgement and estimation made by the management. As disclosed in note 4 to the consolidated financial statements, the management determined the carrying amount of these receivables, the estimation of future cash flows expected to arise from the settlement of the receivables and fair value of the pledged assets less cost to sell. As disclosed in notes 20, 21 and 23 to the consolidated financial statements, the carrying amount of loan receivables, receivables under LNG finance lease arrangements and LNG finance lease receivables as at 31 December 2016 are HK$209,808,000, HK$104,858,000 and HK$144,041,000 respectively. The management of the Group assessed that there is no significant impairment of these receivables.

Our procedures in relation to the management's impairment assessment of loan receivables, receivables under LNG finance lease arrangements and LNG finance lease receivables included:

- Obtaining an understanding of how the management assessed the recoverability of these receivables;
- Evaluating management's assumptions used to calculate the impairment amount of these receivables by checking the ageing of receivables and assessing significantly overdue individual receivables balances;
- Sending receivables confirmations, checking historical payments and bank advices for the settlement of receivables subsequent to the year end on a sampling basis;
- Checking, on a sampling basis, the existence and accuracy of the receivables amount of the collaterals, to supporting documents and with reference to closing market prices;
- Checking documents including correspondences supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available; and
- Assessing where there was evidence of management bias on impairment assessment of receivables by considering the consistency of judgement made by the management through discussion with the management to understand their rationale.

OTHER INFORMATION

The directors are responsible for the other information which comprises the information included in the Group's annual report for the year ended 31 December 2016 ("Annual Report") other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and are in compliance with the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lam Kar Bo.

PKF
Certified Public Accountants
Hong Kong
28 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	**2016 HK$'000**	2015 HK$'000
Turnover – gross	6	**206,172**	1,022,115
Revenue	6	**200,711**	30,847
Cost of sales		**(14,036)**	–
Gross profit		**186,675**	30,847
Other income and gains	8	**12,863**	424,499
Valuation gains on investment properties	14	**700**	–
Share of results of associates	18	**32,968**	210
Selling and distribution expenses		**(20,422)**	(8,916)
Administrative expenses		**(57,643)**	(45,069)
Profit before taxation	10	**155,141**	401,571
Taxation	11	**(2,332)**	(557)
Profit for the year		**152,809**	401,014
Attributable to:–			
Equity shareholders of the Company		**92,023**	401,059
Non-controlling interests		**60,786**	(45)
Profit for the year		**152,809**	401,014
Earnings per share (HK cents)	13		
– Basic		**0.16**	0.71
– Diluted		**0.16**	0.71

Detail of dividends paid or payable to equity shareholders of the Company are set out in note 12 to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	**152,809**	401,014
Other comprehensive loss for the year, net of tax:–		
Item that may be subsequently reclassified to profit or loss:–		
Exchange differences on translating foreign operations	**(32,730)**	(23,024)
Total comprehensive income for the year	**120,079**	377,990
Total comprehensive income for the year attributable to:–		
Equity shareholders of the Company	**61,950**	378,033
Non-controlling interests	**58,129**	(43)
	120,079	377,990

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	**2016 HK$'000**	2015 HK$'000
Non-current assets			
Investment properties	14	**66,000**	65,300
Plant and equipment	15	**34,930**	4,298
Goodwill	16	**8,493**	–
Other intangible assets	17	**2,233**	–
Interest in associates	18	**–**	608,252
Deposit for acquisition of plant and equipment		**35,650**	6,374
Deposit for acquisition of a subsidiary and associates	19	**9,724**	–
Receivables under LNG finance lease arrangements	20	**56,551**	8,288
LNG finance lease receivables	21	**60,088**	43,700
Statutory deposits		**250**	–
Deferred tax asset	28	**10**	46
		273,929	736,258
Current assets			
Inventories	22	**2,626**	–
Receivables under LNG finance lease arrangements	20	**48,307**	94,229
LNG finance lease receivables	21	**83,953**	36,777
Loan receivables	23	**209,808**	–
Accounts and other receivables	24	**163,224**	13,722
Financial assets at fair value through profit or loss	25	**183,024**	71,622
Bank balances and cash	26	**662,491**	170,011
		1,353,433	386,361
Current liabilities			
Accounts and other payables	27	**232,518**	274,436
Income tax payable		**12,178**	21
		244,696	274,457
Net current assets		**1,108,737**	111,904
Total assets less current liabilities		**1,382,666**	848,162
Non-current liability			
Deferred tax liability	28	**388**	291
Net assets		**1,382,278**	847,871
Capital and reserves			
Share capital	29(a)	**112,774**	112,770
Reserves		**741,267**	735,144
		854,041	847,914
Non-controlling interests		**528,237**	(43)
Total equity		**1,382,278**	847,871

The consolidated financial statements set out on pages 34 to 100 were approved and authorised for issue by the Board of Directors on 28 March 2017 and are signed on its behalf by:–

Kan Che Kin, Billy Albert
Director

Li Kai Yien, Arthur Albert
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to equity shareholders of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Special reserve** HK$'000	**Exchange reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2015	112,769	506,277	9,370	(415)	(135,700)	492,301	–	492,301
Dividend declared and paid (note 12)	–	(22,554)	–	–	–	(22,554)	–	(22,554)
Shares issued in lieu of dividend (note 29(a))	1	133	–	–	–	134	–	134
Profit for the year	–	–	–	–	401,059	401,059	(45)	401,014
Other comprehensive loss for the year, net of tax:– Exchange differences on translating foreign operations	–	–	–	(23,026)	–	(23,026)	2	(23,024)
Total comprehensive income for the year	–	–	–	(23,026)	401,059	378,033	(43)	377,990
At 31 December 2015 and 1 January 2016	112,770	483,856	9,370	(23,441)	265,359	847,914	(43)	847,871
Dividend declared and paid (note 12)	**–**	**(56,385)**	**–**	**–**	**–**	**(56,385)**	**–**	**(56,385)**
Shares issued in lieu of dividend (note 29(a))	**4**	**558**	**–**	**–**	**–**	**562**	**–**	**562**
Non-controlling interest arising from business combination	**–**	**–**	**–**	**–**	**–**	**–**	**467,346**	**467,346**
Capital contribution from non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**2,805**	**2,805**
Profit for the year	**–**	**–**	**–**	**–**	**92,023**	**92,023**	**60,786**	**152,809**
Other comprehensive loss for the year, net of tax:– Exchange differences on translating foreign operations	**–**	**–**	**–**	**(30,073)**	**–**	**(30,073)**	**(2,657)**	**(32,730)**
Total comprehensive income for the year	**–**	**–**	**–**	**(30,073)**	**92,023**	**61,950**	**58,129**	**120,079**
At 31 December 2016	**112,774**	**428,029**	**9,370**	**(53,514)**	**357,382**	**854,041**	**528,237**	**1,382,278**

The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the group reorganisation.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**155,141**	401,571
Adjustments for:–			
Gain on disposal of investment properties		**–**	(5,925)
Gain on disposal of subsidiaries		**–**	(409,579)
Gain on bargain purchase from business combination		**(4)**	(115)
Gain on disposal of financial assets at fair value through profit or loss		**(346)**	–
Gain on bargain purchase of financial assets at fair value through profit or loss		**(275,625)**	–
Loss on fair value changes of financial assets at fair value through profit or loss		**129,456**	–
Loss on disposal of plant and equipment		**445**	–
Interest income on bank deposits		**(5,140)**	(3,583)
Interest income from loans to third parties		**(101)**	–
Share of results of associates		**(32,968)**	(210)
Valuation gains on investment properties		**(700)**	–
Depreciation		**4,777**	1,667
Operating cash flows before movements in working capital		**(25,065)**	(16,174)
Increase in inventories		**(2,744)**	–
(Increase)/decrease in financial assets at fair value through profit or loss		**(33,919)**	212,889
Increase in receivables under LNG finance lease arrangements		**(9,399)**	(106,768)
Increase in LNG finance lease receivables		**(71,986)**	(83,814)
Decrease/(increase) in loan receivables		**74,368**	(177,088)
Increase in accounts and other receivables		**(126,016)**	(21,278)
Increase in accounts and other payables		**117,444**	17,557
Cash used in operations		**(77,317)**	(174,676)
Income tax paid		**(5)**	(55,675)
NET CASH USED IN OPERATING ACTIVITIES		**(77,322)**	(230,351)
INVESTING ACTIVITIES			
Deposit paid for acquisition of plant and equipment		**(15,818)**	(6,638)
Purchase of plant and equipment		**(20,075)**	(4,812)
Proceeds from disposal of plant and equipment		**20**	–
Proceeds from disposal of investment properties		**–**	27,325
Deposit paid for acquisition of a subsidiary and associates		**(10,178)**	–
Net cash inflow arising from acquisition of subsidiaries	34, 35	**813,784**	2
Net cash outflow arising on disposal of subsidiaries	36	**–**	(6,338)
Purchase of financial assets at fair value through profit or loss		**(160,086)**	(74,592)
Proceeds from disposal of financial assets at fair value through profit or loss		**230,542**	–
Interest received		**5,184**	3,583
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**843,373**	(61,470)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES			
Advance from a shareholder		–	250,000
Repayment to a shareholder		(211,985)	–
Capital contribution from non-controlling interests		2,805	–
Dividend paid		(55,823)	(22,420)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(265,003)	227,580
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		501,048	(64,241)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		(8,568)	(11,914)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		170,011	246,166
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		662,491	170,011

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL 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 addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

The Company is an investment holding company and the principal activities of the Group are development of liquefied natural gas ("LNG") businesses, including point-to-point supply and wholesale of LNG, provision of finance leasing services for LNG vehicles, vessels and equipment in the PRC as approved by Ministry of Foreign Trade and Economic Cooperation of the PRC, trading of securities, provision of securities brokerage, margin financing and securities investments, properties investments and financial services through provision of money lending business in Hong Kong.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards").

In addition, the consolidated financial statements include applicable disclosures required by the Rules (the "Listing Rules") governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance.

(b) Initial application of HKFRSs

In the current year, the Group initially applied the following revised HKFRSs:-

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKAS 28, HKFRS 10 and HKFRS 12	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulation Deferral Accounts
Annual Improvements to HKFRSs (2012-2014)	Amendments to HKFRS 5, HKFRS 7 and HKAS 19

The initial application of these revised HKFRSs does not necessitate material changes in the Group's accounting policies and retrospective adjustments of the comparatives presented in the consolidated financial statements.

2. BASIS OF PREPARATION (continued)

(c) HKFRSs in issue but not yet effective

The following new and revised HKFRSs in issue at 31 December 2016 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2016:–

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]

1 Effective for annual period beginning on or after 1 January 2017
2 Effective for annual period beginning on or after 1 January 2018
3 Effective for annual period beginning on or after 1 January 2019
4 Effective for annual period beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these standards and amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Measurement basis

The consolidated financial statements are prepared using the historical cost basis as modified by the revaluation of financial assets at fair value through profit or loss and investment properties.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All inter-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Business combination and goodwill

Business combination is accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group from the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combination and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability is recognised in accordance with HKFRS 13 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items are lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is included in a disposal group that is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

Revenue recognition

Dividend income from financial assets at fair value through profit or loss is recognised when the right to receive payment is established.

Realised gains or losses from financial assets at fair value through profit or loss and derivative financial instrument are recognised on a trade date basis whilst the unrealised gains or losses are recognised from valuation at the end of the reporting period.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Rental income under operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Finance lease interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of finance lease.

Service fee income is recognised when services have been rendered.

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

Revenue from sales and distribution of LNG, which includes wholesale of LNG and point-to-point supply of LNG, is recognised when goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income under operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant leases.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

Land held under operating leases is classified and accounted for as investment property when the rest definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

Plant and equipment

Plant and equipment, apart from construction-in-progress ("CIP"), stated at cost less accumulated depreciation and impairment losses. Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

CIP represents plant and machinery under construction and is stated at cost. Cost includes costs of construction of plant and machinery and other direct costs. No provision for depreciation is made on CIP until the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to the relevant asset categories and depreciated in accordance with the policy.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (Other than goodwill)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the year in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss include financial assets held for trading. A financial asset is classified as held for trading if:

– it has been acquired principally for the purpose of selling in the near future; or

– it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets at fair value through profit or loss (continued)

At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables, including deposits and bank balances, are carried at amortised cost using the effective interest rate method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company comprise share capital and convertible notes reserve.

The Group's financial liabilities, including accounts payable, accrued charges and other payables, are generally classified as other financial liabilities. Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Offsetting financial instruments

Financial assets and financial liabilities are separately presented in the consolidated statement of financial position without any offsetting, except when:

(i) the Group has a legally enforceable right to offset the recognised amounts; and

(ii) the Group has intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash on hand.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or directly in equity, respectively.

Employee benefits

(i) Retirement benefits schemes

The retirement benefits costs charged to profit or loss represent the contributions payable in respect of the current year to the Group's defined contribution retirement benefits schemes for its employees.

(ii) Termination benefits

Termination benefits are recognised when and only when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic probability of withdrawal.

Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:-

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:-

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity; and

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENT

In the process of applying the Group's accounting policies which are described in note 3 to the consolidated financial statements, management has made the following estimation uncertainty and judgement that has most significant effect on the amounts recognised in the consolidated financial statements.

Fair value of investment properties

The fair value of the Group's investment properties at 31 December 2016 has been arrived at on the basis of a valuation carried out on that date by Roma Appraisals Ltd, an independent professional surveyor and property valuer not connected with the Group. Roma Appraisals Ltd is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location. The valuations were arrived at by reference to comparable sales transactions as available in the relevant market.

Impairment of plant and equipment and goodwill

Determining whether plant and equipment and goodwill are impaired requires an estimation of value in use of the cash generating units to which the plant and equipment and goodwill have been allocated. The calculation of value in use requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. When the actual future cash flows are less than expected, a material impairment loss may arise.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENT (continued)

Depreciation of plant and equipment and amortisation of other intangible assets

Plant and equipment are depreciated and intangible assets are amortised on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group assesses annually the residual value and the useful life of the plant and equipment and other intangible assets and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges and amortisation of the year in which the estimates change.

Impairment of receivables under LNG finance lease arrangements, LNG finance lease receivables and loan receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows expected to arise from the settlement of the receivables and fair value of the pledged assets less cost to sell. The amount of the impairment loss is measured as the difference between the asset's carrying amount and higher of the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition) and the fair value of the pledged assets less cost to sell. The fair value of the pledged assets is determined with reference to the relevant market information or valuation result performed by independent valuer. Where the actual future cash flows or the net selling price of the pledged assets are less than expected, a material impairment loss may arise.

During the years ended 31 December 2016 and 2015, no impairment loss has been recognised for receivables under LNG finance lease arrangements, LNG finance lease receivables and loan receivables. At 31 December 2016, the carrying amounts of receivables under LNG finance lease arrangements, LNG finance lease receivables and loan receivables were approximately HK$104,858,000 (2015: HK$102,517,000), approximately HK$144,041,000 (2015: HK$80,477,000) and approximately HK$209,808,000 (2015: HK$ Nil) respectively.

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management establishes the appropriate valuation techniques and inputs for fair value measurement.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 5 and 25 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

Impairment of accounts and other receivables

The Group estimates the impairment allowances for accounts and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to accounts and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

Income tax

At 31 December 2016, no deferred tax assets had been recognised in respect of net temporary differences arising from tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK$499,613,000 (2015: HK$495,582,000), tax losses accumulated in the PRC subsidiaries of the Company amounted to approximately HK$49,259,000 (2015: HK$17,862,000) and accelerated tax allowances of approximately HK$5,484,000 (2015: HK$Nil) due to the unpredictability of future taxable profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in future. In case where the actual future profit generated is more than expected, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition takes place.

5. FINANCIAL RISK MANAGEMENT

(a) Nature and extent of financial instrument risks

Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of other parties, measured by the extent of past due or default and their financial healthiness.

At 31 December 2016, the Group's maximum exposure to credit risk arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Before accepting any new borrowers, the Group would assess the credit quality of each potential borrower and define limits for each borrower. The Group also demands certain borrowers to place security deposits and/or pledge assets with the Group at the time the agreement is entered into. In addition, the Group would also review the repayment history of payments from each borrower with reference to the repayment schedule from the date of principal amount was initially granted up to the reporting date to determine the recoverability of a receivable. Furthermore, the Group would assess and review the fair value of the pledged assets continuously to ensure the value of the relevant collateral could well cover the amount granted to the customers and any outstanding receivables.

The Group's credit risk arising from Hong Kong and Mainland China, which accounted for 51% (2015: Nil) and 49% (2015: 100%) respectively of the aggregate receivables in respect of receivables under LNG finance lease arrangements, LNG finance lease receivables, accounts receivables and loan receivables as at 31 December 2016.

The Group has concentration of credit risk from its five largest customers. These customers are from (i) money lending business; (ii) finance lease business; and (iii) securities brokerage business, whose receivables represent (i) 39% (2015: Nil); (ii) 5% (2015: 85%) and (iii) 4% (2015: Nil) of the aggregate receivables in respect of receivables under LNG finance lease arrangements, LNG finance lease receivables, accounts receivables and loan receivables.

The concentration of credit risk arising from the Group's largest customer was derived from money lending business (2015: finance lease business), whose receivable represents 18% (2015: 40%) of the aggregate receivables in respect of receivables under LNG finance lease arrangements, LNG finance lease receivables, accounts receivables and loan receivables.

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Nature and extent of financial instrument risks (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the debt-to-equity capital ratio as mentioned in note 29(b) to the consolidated financial statements.

The maturity profile of the Group's financial liabilities at 31 December 2016, based on contractual undiscounted cash flows, is as follows:–

	2016 HK$'000	2015 HK$'000
Accounts and other payables, due for payment within one year or on demand	224,840	273,809

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group considers hedging significant currency risk should the need arise.

Carrying amounts of financial instruments of the Group at 31 December 2016 exposed to currency risk were as follows:–

	2016 HK$'000	2015 HK$'000
Accounts receivable	42	–
Cash and bank balances	74,465	12,465
	74,507	12,465

The Group's financial instruments exposed to currency risk were primarily denominated in the following currencies:–

	2016 HK$'000	2015 HK$'000
United States dollars	74,451	12,422
Renminbi	56	43
	74,507	12,465

The Group's operation in Hong Kong and the PRC is exposed to foreign currency translation risk arising from Renminbi. At present, the Group does not intend to seek to hedge its exposure to foreign exchange risk profile as the exposure to Renminbi is minimal.

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Nature and extent of financial instrument risks (continued)

Market risk (continued)

Currency risk (continued)

Since Hong Kong dollars is pegged to United States dollars, impact on material fluctuations in the exchange rate of Hong Kong dollars against United States dollars is remote.

It is estimated that a fluctuation of 5% in foreign exchange rates with all other variables held constant would not have a material impact on the Group's profit for the years ended 31 December 2016 and 2015, and retained profits as at those dates respectively.

Interest rate risk

The Group's interest rate risk arises primarily from receivables under LNG finance lease arrangements, LNG finance lease receivables, loan receivables, loans to third parties, financial assets at fair value through profit or loss and bank balances. Except for the receivables under LNG finance lease arrangements, LNG finance lease receivables, loan receivables and loans to third parties which are held at fixed interest rates, all the financial asset at fair value through profit or loss and bank balances are held at variable rates. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group is closely monitored by the management and the Group may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

(i) Effective interest profile

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the end of the reporting period:–

	2016		2015	
	Effective Interest rate %	**HK$'000**	Effective Interest rate %	HK$'000
Fixed rate financial assets				
Receivables under LNG finance lease arrangements	**7.64 – 13.78**	**104,858**	3.92 – 12.32	102,517
LNG finance lease receivables	**6.98 – 12.82**	**144,041**	6.98 – 12.48	80,477
Loan receivables	**8.00 – 15.00**	**209,808**	N/A	–
Loans to third parties	**8.00**	**9,149**	N/A	–
Variable rate financial assets				
Financial assets at fair value through profit or loss	**N/A**	**–**	2.2 – 4.2	71,622
Bank balances	**0.01 – 1.76**	**662,434**	0.01 – 1.76	170,009
Net financial assets		**1,130,290**		424,625

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Nature and extent of financial instrument risks (continued)

Market risk (continued)

Interest rate risk (continued)

(ii) It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would not have a material impact on the Group's profit for the years ended 31 December 2016 and 2015, and retained profits as at those dates respectively.

The sensitivity analysis above has been determined based on the exposure to interest rate for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of asset outstanding at the end of the reporting period was outstanding for the whole year. 100 basis points increase are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonable possible change in interest rates.

Other price risk

As at 31 December 2016 and 2015, the Group is exposed to other price risk through its investments in equity securities listed on the Stock Exchange and the unlisted investment classified as financial assets at fair value through profit or loss (note 25). The management manages this exposure by maintaining a portfolio of investments with different risks. The Group currently does not use any derivative contracts to hedge its exposure to other price risk. However, the management has appointed a team to monitor the price risk and will consider hedging the risk exposure should that needs arise.

If the prices of the respective instruments at 31 December 2016 had been 10% (2015: 10%) higher/lower, the Group's profit for the year ended 31 December 2016 would increase/decrease by approximately HK$15,283,000 (2015: HK$5,372,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

Fair value measurements of financial instruments

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31 December 2016 across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:–

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

5. FINANCIAL RISK MANAGEMENT (continued)

(a) Nature and extent of financial instrument risks (continued)

Fair value measurements of financial instruments (continued)

(i) Financial instruments carried at fair value (continued)

The Group had the following financial instrument carried at fair value which is based on the Level 1 and Level 3 of the fair value hierarchy:–

Financial assets	Fair value as at 31 December 2016	Fair value as at 31 December 2015	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss	Listed equity securities: – in Hong Kong: HK$183,024,000	–	Level 1	Quoted bid prices in an active market	N/A
Financial assets at fair value through profit or loss	–	Investment in Mainland China with carrying amount of HK$71,622,000	Level 3	Key unobservable inputs are expected yields of 2.2% to 4.2% of money market instruments and debt instruments invested by the bank (Note)	The higher the expected yield, the higher the fair value

Note: The Directors considered that the impact of the fluctuation in expected yields of the money market instruments and debt instruments to the fair value of the investment was insignificant as the investment has short maturities, and therefore no sensitivity analysis was presented.

No gains or losses are recognised in profit or loss relating to the change in fair value of financial assets at fair value through profit or loss classified as Level 3 in the current year as the amount involved is insignificant, and therefore no reconciliation of Level 3 fair value measurements is presented.

During the year ended 31 December 2016, there were no significant transfers of financial instruments between Level 1, Level 2 or Level 3.

(ii) Fair values of financial instruments carried at other than fair value

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. 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, and is analysed as follows:–

	2016 **HK$'000**	2015 HK$'000
Interest income from LNG finance lease arrangements	**5,803**	2,365
LNG finance leases interest income	**8,509**	1,873
Service fee income from leasing of LNG vehicles	**1,480**	116
Dividend income from financial assets at fair value through profit or loss	**30**	10,930
Gross income from disposal of financial assets at fair value through profit or loss	**7,243**	712,948
Gross income from disposal of derivative financial instrument	**–**	287,726
Gain on bargain purchase of financial assets at fair value through profit or loss (note)	**275,625**	–
Loss on fair value changes of financial assets at fair value through profit or loss	**(129,456)**	–
Rental income	**1,140**	840
Interest income from loan financing	**19,494**	2,587
Services fee income	**102**	2,730
Brokerage income	**1,837**	–
Sales and distribution of LNG	**14,365**	–
	206,172	1,022,115

6. 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, and is analysed as follows:–

	2016 **HK$'000**	2015 HK$'000
Interest income from LNG finance lease arrangements	**5,803**	2,365
LNG finance leases interest income	**8,509**	1,873
Service fee income from leasing of LNG vehicles	**1,480**	116
Dividend income from financial assets at fair value through profit or loss	**30**	10,930
Gain on disposal of financial assets at fair value through profit or loss	**1,782**	42,480
Loss on disposal of derivative financial instrument	**–**	(33,074)
Gain on bargain purchase of financial assets at fair value through profit or loss (note)	**275,625**	–
Loss on fair value changes of financial assets at fair value through profit or loss	**(129,456)**	–
Rental income	**1,140**	840
Interest income from loan financing	**19,494**	2,587
Services fee income	**102**	2,730
Brokerage income	**1,837**	–
Sales and distribution of LNG	**14,365**	–
	200,711	30,847

Note:–

On 20 May 2016, 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 non-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 a total of 1,125,000,000 shares of Global Strategic Group Limited ("GS"), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the GEM Board of the Stock Exchange, for a total consideration of HK$39,375,000 (or HK$0.035 per GS's share). This transaction was completed on 6 September 2016 and the gain on bargain purchase of financial assets at fair value through profit or loss of approximately HK$275,625,000 was recognised in profit or loss for the year ended 31 December 2016.

7. SEGMENTS AND EQUITY – WIDE INFORMATION

Reportable segments

The Group determines its operating segments based on the Directors' decisions. For management purposes, the Group is organised into eight (2015: six) 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 downstream 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;
- 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; and
- Sales and distribution of LNG including wholesale of LNG and point-to-point supply of LNG.

(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

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:–

(1) Segment assets consist primarily of investment properties, certain plant and equipment, financial assets at fair value through profit or loss, receivables under LNG finance lease arrangements, LNG finance lease receivables, loan receivables and accounts receivable, and mainly exclude interest in associates and deferred tax assets. Segment liabilities comprise operating liabilities and mainly exclude items such as income tax payable and deferred tax liabilities.

(2) Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and transactions, which are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

(3) Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

(4) Unallocated items comprise financial and corporate assets and corporate and financial expenses.

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.

7. SEGMENTS AND EQUITY – WIDE INFORMATION (continued)

Reportable segments (continued)

Segment information about the aforementioned businesses is set out as follows:–

	Financial provision through finance leasing services for LNG vehicles, vessels and equipment		Sales and distribution of LNG		Provision of LNG in the downstream 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	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
TURNOVER																		
Gross	**15,792**	4,354	**14,365**	–	**-**	–	**-**	–	**148,313**	1,011,604	**7,008**	–	**1,140**	840	**19,554**	5,317	**206,172**	1,022,115
REVENUE																		
External	**15,792**	4,354	**14,365**	–	**-**	–	**-**	–	**145,794**	20,336	**4,066**	–	**1,140**	840	**19,554**	5,317	**200,711**	30,847
RESULT																		
Segment result	**(17,577)**	(28,707)	**(2,344)**	–	**(14,097)**	(4,873)	**148**	(2,413)	**138,661**	17,102	**399**	–	**1,506**	6,180	**18,802**	5,113	**125,498**	(7,598)
Other income and gains																	**2,181**	418,574
Share of results of associates																	**32,968**	210
Unallocated corporate expenses																	**(5,506)**	(9,615)
Profit before taxation																	**155,141**	401,571
Taxation																	**(2,332)**	(557)
Profit for the year																	**152,809**	401,014
Assets																		
Segment assets	**261,929**	198,886	**50,988**	–	**126,019**	6,526	**508**	537	**194,003**	–	**54,285**	–	**66,125**	65,551	**209,807**	–	**963,664**	271,500
Unallocated corporate assets																	**663,698**	851,119
Consolidated total assets																	**1,627,362**	1,122,619
Liabilities																		
Segment liabilities	**24,610**	9,504	**11,313**	–	**2,083**	35	**35**	–	**570**	–	**153,641**	–	**240**	140	**43**	–	**192,535**	9,679
Unallocated corporate liabilities																	**52,549**	265,069
Consolidated total liabilities																	**245,084**	274,748
Other information																		
Allocated capital additions	**2,345**	4,499	**22,394**	–	**31,747**	5,975	**147**	665	**1,404**	10,547	**31**	–	**-**	–	**-**	–	**58,068**	21,686
Allocated depreciation	**1,407**	400	**326**	–	**275**	–	**148**	106	**1,697**	1,037	**800**	–	**124**	124	**-**	–	**4,777**	1,667
Allocated loss on disposal of plant and equipment	**-**	–	**-**	–	**-**	–	**-**	–	**445**	–	**-**	–	**-**	–	**-**	–	**445**	–

7. SEGMENTS AND EQUITY – WIDE INFORMATION (continued)

Reportable segments (continued)

Entity-wide information

The Group's operations of the development of LNG businesses including the provision of finance leasing services for LNG vehicles, vessels and equipment, sales and distribution of LNG, provision of LNG in the downstream market and provision of commercial vehicle platform services are located in the PRC and the remaining operations are located in Hong Kong during both years. An analysis of the Group's geographical information is set out as follows:–

	2016 **HK$'000**	2015 HK$'000
Revenue by geographical location of its external customers:–		
Hong Kong	**170,554**	26,493
PRC	**30,157**	4,354
	200,711	30,847

	2016 **HK$'000**	2015 HK$'000
Carrying amount of non-current assets analysed by geographical area in which the assets are located of:–		
Hong Kong	**77,868**	673,760
PRC	**196,051**	62,452
	273,919	736,212

8. OTHER INCOME AND GAINS

	2016 **HK$'000**	2015 HK$'000
Gain on disposal of subsidiaries (note 36)	**–**	409,579
Gain on bargain purchase from business combination (note 34(c))	**4**	115
Gain on disposal of investment properties	**–**	5,925
Gain on disposal of financial assets at fair value through profit or loss	**346**	–
Bank interest income	**5,140**	3,583
Interest income from loans to third parties	**101**	–
Exchange gain, net	**5,030**	5,273
Sundry income	**2,242**	24
	12,863	424,499

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(i) Directors' remuneration

Pursuant to the Listing Rules, Section 383(1)(a),(b),(c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulations, the emoluments paid or payable to each of the ten (2015: ten) directors are as follows:–

		Other emoluments		
	Fees HK$'000	Salaries and other benefits HK$'000	Pension costs HK$'000	Total emoluments HK$'000
For the year ended 31 December 2016				
Executive directors:–				
Kan Che Kin, Billy Albert	10	–	–	10
Li Shu Han, Eleanor Stella (resigned on 9 September 2016)	7	–	–	7
Li Kai Yien, Arthur Albert	10	–	–	10
Chen Li Bo	–	1,440	–	1,440
Non-executive directors:–				
Simon Murray	50	–	–	50
Lam, Lee G.	50	–	–	50
Independent non-executive directors:–				
Li Siu Yui	50	–	–	50
Ip Woon Lai (resigned on 22 July 2016)	27	–	–	27
Lam Lum Lee	50	–	–	50
Au Yeung Po Fung (appointed on 22 July 2016)	22	–	–	22
	276	1,440	–	1,716

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(i) Directors' remuneration (continued)

		Other emoluments		
	Fees HK$'000	Salaries and other benefits HK$'000	Pension costs HK$'000	Total emoluments HK$'000
For the year ended 31 December 2015				
Executive directors:–				
Kan Che Kin, Billy Albert	10	–	–	10
Li Shu Han, Eleanor Stella	10	–	–	10
Li Kai Yien, Arthur Albert	10	–	–	10
Chen Li Bo	–	1,409	–	1,409
Non-executive directors:–				
Simon Murray	50	–	–	50
Lam, Lee G.	50	–	–	50
Independent non-executive directors:–				
Li Siu Yui	50	–	–	50
Ip Woon Lai	50	–	–	50
Lee Kong Leong	14	–	–	14
Lam Lum Lee	29	–	–	29
	273	1,409	–	1,682

Note:–

At 31 December 2016, the remuneration payable to the directors was approximately HK$88,000 (2015: HK$81,000) which was included in accounts and other payables in note 27 to the consolidated financial statements.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(ii) Employees' emoluments

During the year, the five highest paid individuals included one (2015: one) Director, details of which are set out above in paragraph (i). The emoluments of the remaining four (2015: four) highest paid individuals are as follows:–

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	3,694	4,674
Retirement benefits scheme contributions	89	276
	3,783	4,950

The number of employees whose remuneration fell within the following bands was:–

	2016	2015
Nil – HK$1,000,000	3	–
HK$1,000,001 – 1,500,000	1	4
	4	4

There was no arrangement under which a Director waived or agreed to waive any emoluments and no remuneration was paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. PROFIT BEFORE TAXATION

	2016 HK$'000	2015 HK$'000
Profit before taxation has been arrived at after charging/(crediting):–		
Auditor's remuneration	682	638
Depreciation of plant and equipment	4,777	1,667
Loss on disposal of plant and equipment:–		
– Proceeds from disposal of plant and equipment	(20)	–
– Carrying amount of plant and equipment	465	–
	445	–
Operating lease rentals in respect of rented premises	7,140	4,173
Rental income less outgoings	(961)	(696)
Staff costs:–		
Directors' remuneration		
– fees	276	273
– other emoluments	1,440	1,409
	1,716	1,682
Staff costs excluding directors' remuneration	33,108	20,165
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration	6,572	2,102
	39,680	22,267
Total staff costs	41,396	23,949

11. TAXATION

Taxation in the consolidated statement of profit or loss represents:–

	2016 HK$'000	2015 HK$'000
Current tax		
Provision for the year	**2,299**	502
Over-provision in previous year	**(100)**	–
	2,199	502
Deferred tax		
Charge for the year (note 28)	**133**	55
	2,332	557

Provision for Hong Kong Profits Tax and PRC Enterprise Income Tax are calculated at 16.5% (2015: 16.5%) and 25% (2015: 25%) respectively on the estimated assessable profits for the year. No provision for taxation had been made in respect of the Company's subsidiaries operating in the PRC for the preceding year as they did not have assessable profits.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:–

	2016 HK$'000	2015 HK$'000
Profit before taxation	**155,141**	401,571
Tax at Hong Kong Profits Tax rate of 16.5% (2015: 16.5%)	**25,598**	66,259
Tax rates differential	**31**	–
Tax effect of non-deductible expenses	**23,928**	2,595
Tax effect of non-taxable income	**(51,748)**	(70,681)
Tax effect of temporary differences not recognised	**(905)**	(1,358)
Tax effect of unrecognised tax losses	**5,846**	3,598
Over-provision in previous year	**(100)**	–
Others	**(318)**	144
Taxation for the year	**2,332**	557

12. DIVIDENDS

(a) Dividend declared and paid or payable to equity shareholders attributable to the reporting year:–

	2016 **HK$'000**	2015 HK$'000
Final dividend proposed after the end of the reporting period of HK$nil per share (2015: HK0.1 cent per share)	**–**	56,385
	–	56,385

No dividend was paid and proposed for the year ended 31 December 2016.

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

(b) Dividend payable to equity shareholders approved and paid during the reporting year:–

	2016 **HK$'000**	2015 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK0.1 cent per share (2015: HK0.04 cents per share)	**56,385**	22,554
	56,385	22,554

13. 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") 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 year. There was no dilutive instrument during the current year. These calculations of weighted average number of Shares assume 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 year is based on the profit for the year of approximately HK$92,023,000 (2015: HK$401,059,000) and the weighted average number of 56,386,004,763 (2015: 56,384,844,765) Shares in issue for both basic and diluted EPS.

14. INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
At 1 January	**65,300**	86,700
Disposals	**–**	(21,400)
Fair value adjustment	**700**	–
At 31 December, at fair value	**66,000**	65,300

(a) At 31 December 2016 and 2015, all of the Group's investment properties were located in Hong Kong and were built on land held under medium-term to long-term leases.

	2016 HK$'000	2015 HK$'000
Medium-term lease	**43,900**	43,200
Long-term lease	**22,100**	22,100
	66,000	65,300

(b) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:–

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.

	Fair value at 31 December	**Quoted market price Level 1**	**Using observable inputs Level 2**	**With significant unobservable inputs Level 3**
Recurring fair value measurement				
Investment properties	66,000	–	–	66,000

During the year ended 31 December 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.

The Group's investment properties were revalued by Roma Appraisals Limited, an independent professional valuer, at 31 December 2016. The valuations were carried out by qualified persons who are members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being held. The Group's property manager and the chief financial officer have discussion with the surveyors on the valuation assumptions and valuation results when valuation is performed at each interim and annual reporting date.

14. INVESTMENT PROPERTIES (continued)

(b) Fair value measurement of investment properties (continued)

(i) Fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

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:–

	2016 HK$'000	2015 HK$'000
At 1 January	**65,300**	86,700
Disposals	**–**	(21,400)
Effect of properties revaluation	**700**	–
At 31 December	**66,000**	65,300
Unrealised gain or losses recognised in profit or loss relating to those assets held at the end of the reporting period	**700**	–

(ii) Information about Level 3 fair value measurements

	Valuation technique(s)	**Unobservable input(s)**	**Range**
Investment properties	Direct comparison approach	Premium (discount) on characteristic of the properties	0 % to 10%

The fair value of investment properties are determined using direct comparison approach to value these properties in their respective existing states 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 others factors collectively. Higher premium for properties with higher characteristic will result in a higher fair value measurement.

15. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Yacht HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2015	866	447	–	1,962	–	–	3,275
Additions	2,350	706	–	1,756	10,500	–	15,312
Disposal of subsidiaries (note 36)	(294)	–	–	(1,962)	(10,500)	–	(12,756)
Exchange adjustments	(91)	(28)	–	(69)	–	–	(188)
At 1 January 2016	2,831	1,125	–	1,687	–	–	5,643
Business combination (note 34)	1,036	1,649	327	1,276	9,100	1,242	14,630
Additions	1,692	1,060	11,002	3,343	–	5,321	22,418
Transfer	–	–	3,650	–	–	(3,650)	–
Disposals	–	(618)	–	–	–	–	(618)
Exchange adjustments	(217)	(91)	(668)	(195)	–	(129)	(1,300)
At 31 December 2016	**5,342**	**3,125**	**14,311**	**6,111**	**9,100**	**2,784**	**40,773**
DEPRECIATION							
At 1 January 2015	493	447	–	164	–	–	1,104
Provided for the year	271	165	–	587	644	–	1,667
Disposal of subsidiaries (note 36)	(217)	–	–	(545)	(644)	–	(1,406)
Exchange adjustments	(5)	(7)	–	(8)	–	–	(20)
At 1 January 2016	542	605	–	198	–	–	1,345
Provided for the year	1,332	954	230	861	1,400	–	4,777
Written back on disposals	–	(153)	–	–	–	–	(153)
Exchange adjustments	(47)	(31)	(10)	(38)	–	–	(126)
At 31 December 2016	**1,827**	**1,375**	**220**	**1,021**	**1,400**	**–**	**5,843**
CARRYING VALUES							
At 31 December 2016	**3,515**	**1,750**	**14,091**	**5,090**	**7,700**	**2,784**	**34,930**
At 31 December 2015	2,289	520	–	1,489	–	–	4,298

The above items of plant and equipment were depreciated on a straight-line basis at the following rates per annum:–

Furniture, fixtures and equipment	20%-33.33%
Leasehold improvements	25%, or over the lease term whichever is shorter
Plant and machinery	10%-33.33%
Motor vehicles	20%-25%
Yacht	20%

16. GOODWILL

	2016 **HK$'000**	2015 HK$'000
Cost:		
At 1 January	**–**	–
Business combination – Note 34(b)	**8,493**	–
At 31 December	**8,493**	–
Impairment:		
At 1 January	**–**	–
Charge for the year	**–**	–
At 31 December	**–**	–
Carrying amount:		
At 31 December	**8,493**	–

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

There was one cash generating unit ("CGU") in the year related to sales and distribution of LNG in the PRC. For the purpose of impairment testing, the recoverable amount of the CGU is determined from value in use calculations.

The Group prepares cash flow projection covering a 10-year period. The cash flow projections for the first 4 years are based on financial budgets approved by management. The 4-year period financial budgets are prepared based on the management's expectations for the market development taking into account the stage of the development of the respective LNG projects. The cash flows beyond the 4-year period are extrapolated using nil growth rate for the CGU and assuming the gross profit margin will be the same throughout the 10-year period. The growth rates are based on management's best estimates with consideration of both internal and external factors relating to the CGU.

The Directors estimate discount rates using pre-tax rates by reference to the average rates for a similar industry and the risks specific to the CGU and determined the discount rate to be 14.9%.

The Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount of respective CGU.

17. OTHER INTANGIBLE ASSETS

	Road transportation operation permit of dangerous goods HK$'000
Cost:	
At 1.1.2016	–
Acquisition – Note 35	2,337
Exchange adjustment	(104)
At 31.12.2016	2,233
Accumulated amortisation:	
At 1.1.2016	–
Charge for the year	–
At 31.12.2016	–
Net book value:	
At 31.12.2016	2,233
At 31.12.2015	–

Amortisation of road transportation operation permit of dangerous goods is charged to profit or loss on a straight line basis over the estimated useful life of 10 years.

18. INTEREST IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Cost of unlisted investment in associates	**–**	608,042
Share of results of associates	**–**	210
	–	608,252

Immediately before the completion of the business combination (note 34), Key Fit was an associate of the Group and had three wholly owned subsidiaries incorporated in Hong Kong namely (1) Artel International Technologies Limited, (2) China Hong Kong Capital Asset Management Company Limited (formerly known as Jin Hung Securities Limited) ("CHKCAM") and (3) China Hong Kong Capital Finance Limited (formerly known as Jin Hung Finance Limited) ("CHKFIN"), collectively known as "Key Fit Group".

18. INTEREST IN ASSOCIATES (continued)

Details of the associates at 31 December 2015 were as follows:–

Name of company	Place of incorporation	Class of shares held	Proportion of value of issued capital held by the Group Directly	Indirectly	Principal activities
Key Fit	Hong Kong	Ordinary	60.42%	–	Investment holdings and trading of securities
Artel International Technologies Limited	Hong Kong	Ordinary	–	60.42%	Investment holding
CHKFIN	Hong Kong	Ordinary	–	60.42%	Financial service through provision of money lending services

The above associates were accounted for using the equity method in the consolidated financial statements.

Financial information of associates

Summarised financial information in respect of Key Fit and its subsidiaries was set out below:–

	2015 HK$'000
Gross amount	
Current assets	1,062,268
Non-current assets	11,282
Current liabilities	(66,857)
Equity	1,006,693

	2015 HK$'000
Reconciliation	
Gross amount of equity	1,006,693
Group's effective interest	60.42%
Group's share of equity	608,252
Elimination of gains or losses for transactions between the Group and the associates	–
Carrying amount of the Group's interest	608,252

18. INTEREST IN ASSOCIATES (continued)

	2015 HK$'000
Turnover – gross	1,017,550
Revenue	26,282
Profit for the year	17,669
Other comprehensive income for the year	–
Total comprehensive income for the year	17,669

Key Fit and its subsidiaries were the former subsidiaries of the Company before 10 December 2015. Pursuant to the disposal set out in note 36, these companies became the Group's associates. A reconciliation of the annual results of Key Fit and its subsidiaries to the share of results of associates per consolidated statement of profit or loss was as follows:

	2015 HK$'000
Profit for the year	17,669
Profit before the disposal	(17,322)
	347
Group's effective interest	60.42%
Share of results of associates	210

19. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY AND ASSOCIATES

The deposit of acquisition comprises a subsidiary, Shijiazhuang Sheng Ran Gas Trading Co., Ltd.* (石家莊盛冉燃氣貿易有限公司) ("Shengran Gas") and associate companies, CNOOC (Shanghai) Traffic New Energy Co., Limited ("CNOOC Shanghai Traffic") and Shenzhen Gas Shengshi Clean Energy Co., Ltd.*(深圳市深燃晟世清潔能源有限公司) ("Shenzhen Gas Shengshi").

(i) On 23 November 2015, CLNG Investment (Shanghai) Co., Limited* (港能投資(上海)有限公司) ("CLNG Investment"), a wholly-owned subsidiary of the Company and Shanghai Heyin Energy Investment Co., Limited ("Heyin") entered into the share transfer agreement, pursuant to which CLNG Investment has conditionally agreed to purchase and Heyin has conditionally agreed to sell 40% equity interests in CNOOC Shanghai Traffic, which is principally engaged in the sales and distribution of LNG diesel and oil products, at a consideration of RMB3,600,000. A refundable deposit of RMB3,600,000 was paid. Upon completion, CLNG Investment will hold 40% of the issued registered capital of CNOOC Shanghai Traffic and CNOOC Shanghai Traffic will become an associate of the Company.

The transaction has not yet completed up to the date of authorisation of these consolidated financial statements.

19. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY AND ASSOCIATES (continued)

(ii) On 9 December 2016, CLNG Shenzhen Energy Co., Ltd.* (港能（深圳）能源有限公司) ("CLNG Shenzhen"), a wholly-owned subsidiary of the Company, Shenzhen Shengshi Energy Co., Ltd.* (深圳市晟世能源有限公司) ("Shengshi Energy") and Shenzhen Gas Clean Energy Co., Ltd.* (深圳市深燃清潔能源有限公司) ("Gas Clean Energy") entered into a capital injection and share transfer agreement, pursuant to which CLNG Shenzhen agreed to inject an amount equivalent to 22.5% enlarged equity interests of Shenzhen Gas Shengshi, and CLNG Shenzhen agreed to purchase and Gas Clean Energy agreed to sell 2.5% enlarged equity interests in Shenzhen Gas Shengshi. The total consideration is RMB5,000,000. A refundable deposit of RMB5,000,000 was paid upon signing the capital injection and share transfer agreement. Shenzhen Gas Shengshi is principally engaged in investment in gasoline stations and LPG stations in the PRC. Upon completion, CLNG Shenzhen will hold 25% of the enlarged issued registered capital of Shenzhen Gas Shengshi and Shenzhen Gas Shengshi will become an associate of the Company.

The transaction has not yet completed up to the date of authorisation of these consolidated financial statements.

(iii) On 15 December 2016, Hebei Dezhong Gas Trading Co., Ltd* (河北德眾燃氣貿易有限公司) ("Hebei Dezhong"), a non-wholly owned subsidiary of the Company, and four parties entered into a share transfer agreement, pursuant to which Hebei Dezhong agreed to purchase and each of the four parties respectively agreed to sell 80%, 10%, 9% and 1% equity interests in Shengran Gas at a consideration of RMB550,000. Shengran Gas is principally engaged in trading of natural gas and transportation. A refundable deposit of RMB110,000 was paid upon signing the share transfer agreement. Afterwards, Hebei Dezhong shall inject a sum of RMB5,000,000 into Shengran Gas, of which the entire amount is recognised as the registered capital of Shengran Gas.

The above transactions were completed on 18 January 2017. Hebei Dezhong holds 100% of the issued registered capital of Shengran Gas and Shengran Gas has become a wholly-owned subsidiary of the Company.

20. 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:–

	2016 **HK$'000**	2015 HK$'000
Within one year	**48,307**	94,229
In the second to fifth years, inclusive	**56,551**	8,288
	104,858	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 year 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 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 31 December 2016, the effective interest rates applicable to the finance lease arrangements ranged from approximately 7.64% to 13.78% per annum (2015: 3.92% to 12.32%).

Except for receivables with aggregate amount of HK$420,000 which were past due within three months but not impaired, the remaining receivables were neither past due nor impaired. Receivables which were neither past due nor impaired related to a number of borrowers for whom there was no recent history of default. For those balances which were past due but not impaired, they related to two borrowers for which the management have assessed their financial position and performance as well as collaterals and considered the balances will be recovered in full and accordingly, not impairment loss is considered necessary.

20. RECEIVABLES UNDER LNG FINANCE LEASE ARRANGEMENTS (continued)

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. The Group has also obtained security deposits for certain finance lease arrangements and these security deposits were interest-free. The lessees are obliged to settle the amounts according to the terms set out in the relevant agreements.

21. LNG FINANCE LEASE RECEIVABLES

	Minimum lease payments 2016 HK$'000	Minimum lease payments 2015 HK$'000	**Present value of minimum lease payments 2016 HK$'000**	Present value of minimum lease payments 2015 HK$'000
Within one year	**94,066**	42,671	**83,953**	36,777
In the second to fifth years, inclusive	**69,082**	47,662	**60,088**	43,700
	163,148	90,333	**144,041**	80,477
Less: Unearned finance income	**(19,107)**	(9,856)		
Present value of minimum lease payment receivables	**144,041**	80,477		
Less: Amount receivable within 12 months (shown under current assets)			**(83,953)**	(36,777)
Amount receivable after 12 months			**60,088**	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 4.5 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 interest accrued under the finance lease contracts. The lessees retain control of the assets after entering into the contracts.

At 31 December 2016, the effective interest rates applicable to the finance lease ranged from approximately 6.98% to 12.82% per annum (2015: 6.98% to 12.48%).

Except for receivables with aggregate amount of HK$8,969,000 which were past due within half year but not impaired, the remaining receivables were neither past due nor impaired. Receivables which were neither past due nor impaired related to a number of borrowers for whom there was no recent history of default. For those balances which were past due but not impaired, they related to a number of borrowers for which the management have assessed their financial position and performance as well as collaterals and considered the balances will be recovered in full and accordingly, no impairment loss is considered necessary.

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. The Group has also obtained security deposits for certain finance lease contracts and these security deposits were interest-free. The lessees are obliged to settle the amounts according to the terms set out in the relevant agreements.

22. INVENTORIES

	2016 HK$'000	2015 HK$'000
LNG	**2,626**	–

The cost of inventories recognised as an expense and included in cost of sales during the year was approximately HK$13,053,000.

23. LOAN RECEIVABLES

	2016 HK$'000	2015 HK$'000
Loan receivables	**209,808**	–

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

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

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**100,412**	–
Past due nor impaired:–		
Less than 1 month	**3,927**	–
Less than 3 months but over 1 month	**95,807**	–
Over 3 months	**9,662**	–
	209,808	–

Receivables which were neither past due nor impaired related to a number of borrowers for whom there was no recent history of default. For those balances which were past due but not impaired, they related to a number of borrowers for which the management have assessed their financial position and performance as well as collaterals. The Directors 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.

24. ACCOUNTS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Accounts receivables arising from dealing in securities (note 24(a)):–		
Cash clients	**2,849**	–
Margin clients	**49,088**	–
Accounts receivables arising from sales and distribution of LNG (note 24(b)):–	**2,094**	–
Total accounts receivables	**54,031**	–
Prepayments, deposits and other receivables	**21,351**	3,333
Loans to third parties (note 24(c))	**9,149**	–
Amounts due from non-controlling shareholders of a subsidiaries (note 24(d))	**69,510**	–
Value-added tax recoverable	**9,183**	10,389
Total accounts and other receivables	**163,224**	13,722

Notes:

(a) The settlement terms of the accounts receivables from cash clients arising from the business of dealing in securities are two days after trade date.

At 31 December 2016, the accounts receivables 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$103,119,000.

The accounts receivables arising from dealing in securities as at 31 December 2016 were not past due nor impaired. No detailed aged analysis is disclosed as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of securities dealing business.

(b) The following is an aged analysis of accounts receivables arising from sales and distribution of LNG presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2016 HK$'000	2015 HK$'000
Within three months	**1,846**	–
4 to 6 months	**248**	–
	2,094	–

24. ACCOUNTS AND OTHER RECEIVABLES (continued)

Notes: (continued)

(b) (continued)

The following is an aged analysis of accounts receivables arising from sales and distribution of LNG which are past due but not impaired. The average credit period is 30 days.

	2016 HK$'000	2015 HK$'000
Past due but not impaired:		
Within three months	782	–
4 to 6 months	109	–
	891	–

(c) The loan of HK$6,698,000 is secured by 35% equity interest of the borrower, interest-bearing at 8% per annum and repayable within six months. The loan of HK$2,451,000 is unsecured, interest-bearing at 8% per annum and repayable within 1 month.

(d) The balances represented capital commitment of HK$18,614,000 payable by non-controlling shareholders and advances of HK$50,896,000 to non-controlling shareholders of certain subsidiaries of the Group. The balances were unsecured, interest-free and repayable on demand.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Equity securities listed in Hong Kong, at fair value (note 25(a))	183,024	–
Short-term unlisted investment (note 25(b))	–	71,622
	183,024	71,622

Notes:

(a) The fair value of Group's investments in listed equity securities had been determined directly by reference to their published price quotations in active market at the end of the reporting period.

(b) 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 cash in January 2016.

26. BANK BALANCES AND CASH

	2016 HK$'000	2015 HK$'000
Cash at banks:–		
General accounts	**512,244**	170,009
Client accounts	**150,190**	–
Cash in hand	**57**	2
	662,491	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.

27. ACCOUNTS AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Accounts payables arising from dealing in securities (note 27(a)):–		
Cash clients (note 27(b))	**145,874**	–
Margin clients	**4,899**	–
Hong Kong Securities Clearing Company Limited	**1,779**	–
Accounts payables arising from purchase of LNG (note 27(c))	**870**	–
Total accounts payables	**153,422**	–
Accrued charges and other payables	**19,413**	7,178
Guaranteed deposits on LNG finance leases and finance leases arrangements	**21,668**	8,855
Amount due to an associate (note 27(d))	**–**	8,403
Amount due to a shareholder (note 27(e))	**38,015**	250,000
Total accounts and other payables	**232,518**	274,436

27. ACCOUNTS AND OTHER PAYABLES (continued)

Notes:

(a) 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$150,190,000 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.

(b) The accounts payables included HK$25,843,000 which was deposited by Mr. Kan.

(c) The following is an aged analysis of accounts payables arising from purchase of LNG presented based on invoice date at the end of the reporting period.

	2016 **HK$'000**	2015 HK$'000
Within three months	**870**	–

The average credit period on purchases of LNG is 30 days.

(d) The amount was unsecured, interest-free and repayable on demand.

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

28. DEFERRED TAXATION

The following is deferred tax (assets)/liabilities recognised by the Group and movement thereon during the year are as follows:–

	Tax losses HK$'000	Accelerated depreciation allowances HK$'000	Total HK$'000
At 1.1.2015	(510)	700	190
Charge/(credit) for the year (note 11)	60	(5)	55
At 31.12.2015 and 1.1.2016	(450)	695	245
Charge for the year (note 11)	12	121	133
At 31.12.2016	(438)	816	378

The unutilised tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK$499,613,000 (2015: HK$495,582,000) can be carried forward indefinitely. The unutilised tax losses accumulated in the PRC subsidiaries amounted to approximately HK$49,259,000 (2015: HK$17,862,000) would expire in five years from the respective year of loss. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

At the end of the reporting period, the Group had taxable temporary differences not recognised of approximately HK$5,484,000 (2015: Nil) arising from the accelerated tax allowances. No deferred tax liabilities has been recognised in respect of these net taxable temporary differences owing to immateriality.

Reconciliation to the deferred tax disclosed in the consolidated statement of financial position:–

	2016 HK$'000	2015 HK$'000
Deferred tax asset recognised in the consolidated statement of financial position	**(10)**	(46)
Deferred tax liability recognised in the consolidated statement of financial position	**388**	291
	378	245

29. SHARE CAPITAL

(a) Share capital

	2016 Number of shares	2016 Amount HK$'000	2015 Number of shares	2015 Amount HK$'000
Shares of HK$0.002 each				
Authorised:–				
At 1 January and 31 December	**200,000,000,000**	**400,000**	200,000,000,000	400,000
Issued and fully paid:–				
At 1 January	**56,385,049,100**	**112,770**	56,384,706,980	112,769
Shares issued in lieu of dividend	**2,021,808**	**4**	342,120	1
At 31 December	**56,387,070,908**	**112,774**	56,385,049,100	112,770

Note:–

(i) 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.

(b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholders, issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy, which is unchanged from the previous periods, is to maintain a reasonable proportion in total debts and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debts over equity capital.

The only externally imposed capital requirement is that under the Listing Rules, the Company has to maintain the minimum public float requirement of which at least 25% of the issued Shares being held in public hands. Details of sufficiency of public float have been included in the paragraph headed "Sufficiency of Public Float" in the section headed "Report of the Directors" of this annual report.

30. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) The Company

	Share premium HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	506,277	112,369	(576,832)	41,814
Dividend declared and paid (note 12)	(22,554)	–	–	(22,554)
Shares issued in lieu of dividend (note 29(a))	133	–	–	133
Profit and total comprehensive income for the year	–	–	561,736	561,736
At 31 December 2015 and 1 January 2016	483,856	112,369	(15,096)	581,129
Dividend declared and paid (note 12)	(56,385)	–	–	(56,385)
Shares issued in lieu of dividend (note 29(a))	558	–	–	558
Profit and total comprehensive income for the year	–	–	4,664	4,664
At 31 December 2016	**428,029**	**112,369**	**(10,432)**	**529,966**

31. COMMITMENTS

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:–

	2016 HK$'000	2015 HK$'000
Within one year	**6,714**	4,191
In the second to fifth year inclusive	**3,891**	4,993
	10,605	9,184

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 one year to twenty years (2015: five months to three years) and does not include contingent rentals. One of the leases is guaranteed by Mr. Kan.

31. COMMITMENTS (continued)

Operating lease commitment (continued)

The Group as lessor:–

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

	2016 **HK$'000**	2015 HK$'000
Within one year	**300**	–

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

Capital commitment

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

	2016 **HK$'000**	2015 HK$'000
Contracted but not provided for		
Plant and machinery	**68,588**	72,338
Capital contribution to subsidiaries	**3,392,431**	1,732,174
Acquisition of a subsidiary	**491**	–
	3,461,510	1,804,512

32. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance for all qualifying employees in Hong Kong since December 2000. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees. The Group's employer contributions vest fully with employees when contributed into the MPF Scheme. The only obligation of the Group with respect of the retirement benefits scheme is to make the required contributions under the MPF Scheme.

The total cost charged to the consolidated statement of profit or loss of approximately HK$160,000 (2015: HK$95,000) represents contributions paid and payable to the MPF Scheme by the Group at rate specified in the rules of the MPF Scheme. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group. At 31 December 2016 and 2015, no forfeited contributions were available to reduce the contributions payable in the future years.

The employees in the subsidiaries in the PRC are members of the state-managed retirement benefit schemes (the "Social Insurance Scheme") operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the Social Insurance Scheme.

The total cost charged to the consolidated statement of profit or loss of approximately HK$6,412,000 (2015: 2,007,000) represents contributions paid and payable to the Social Insurance Scheme by the Group at rates specified in the rules of the Social Insurance Scheme.

33. RELATED PARTY TRANSACTIONS

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

	Note	2016 HK$'000	2015 HK$'000
Service fee income from a related company owned by an executive Director and the substantial shareholder	(i)	**42**	–
Brokerage income from an executive Director and the substantial shareholder	(i)	**136**	–
Purchase of held for trading investment from an executive Director and the substantial shareholder	(i)	**39,375**	–

Note:–

(i) These transactions fall within the definition of "Connected transaction" in Chapter 14A of the Listing Rules for the year ended 31 December 2016.

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 31 December 2016, this facility had been utilised of HK$38,015,000 (2015: HK$250,000,000).

(b) Compensation of key management personnel

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

	2016 HK$'000	2015 HK$'000
Short-term benefits	**16,122**	11,131
Post-employment benefits	**800**	668
	16,922	11,799

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

These transactions do not fall within the definition of "connected transactions" in Chapter 14A of the Listing Rules.

34. BUSINESS COMBINATION

(a) 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 chief financial officer and 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%.

Key Fit Group is principally engaged in trading of securities, provision of securities brokerage, margin financing and securities investments, and financial services through provision of money lending business in Hong Kong.

The Group considers that the business combination provides a good opportunity to diversify the Group's business and broaden the revenue streams of the Group.

34. BUSINESS COMBINATION (continued)

(a) (continued)

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

	2016 HK$'000
Plant and equipment	13,061
Statutory deposits	250
Financial assets at fair value through profit or loss	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)
	1,061,271
Non-controlling interests	(420,051)
	641,220
Net cash inflow arising from business combination	
Cash consideration paid	–
Less: Cash and cash equivalents acquired	815,787
	815,787

There was no transaction cost for this acquisition borne by the Group.

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 Group did not change before and after the recognition.

Key Fit Group contributed turnover and revenue of approximately HK$174,875,000 and HK$169,414,000 to the Group respectively and contributed a profit of approximately HK$155,755,000 to the Group for the period between the date of acquisition and the end of the reporting year.

Had the acquisition been completed on 1 January 2016, the Group's turnover, revenue and profit for the year ended 31 December 2016 would be approximately HK$732,408,000, HK$284,914,000 and HK$201,867,000 respectively. This proforma financial information was for illustrative purposes only and was not necessarily an indication of the revenue and results of operations 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 results.

34. BUSINESS COMBINATION (continued)

(b) On 22 July 2016, the Group acquired 51% equity interest of Hebei Tiandao by injecting a sum of HK$53,635,000, of which HK$36,493,000 and HK$17,142,000 were 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 fair value of the identifiable assets and liabilities of Hebei Tiandao acquired as at the date of acquisition is as follows:–

	2016 HK$'000
Plant and equipment	1,242
Deposit for acquisition of plant and equipment	15,257
Prepayments, deposits and other receivables	72,084
Bank balances and cash	74
Accrued charges and other payables	(144)
	88,513
Non-controlling interests	(43,371)
	45,142
Goodwill arising on acquisition	
Consideration for acquisition	
Including: Consideration paid upon acquisition	–
Consideration paid as capital injection to the subsidiary	53,635
Less: Fair value of identifiable net assets acquired	(45,142)
	8,493
Net cash inflow arising from business combination	
Cash consideration paid	–
Less: Cash and cash equivalents acquired	74
	74

Acquisition related costs incurred during the year to these acquisitions amounting to approximately HK$185,000 were included in administrative expenses in the profit or loss.

The newly acquired business contributed turnover and revenue of approximately HK$982,000 to the Group respectively and contributed a profit of approximately HK$181,000 to the Group for the period between the date of acquisition and the end of the reporting year.

Had the acquisition been completed on 1 January 2016, the Group's turnover, revenue and profit for the year ended 31 December 2016 would be approximately HK$206,172,000, HK$200,711,000 and HK$152,695,000 respectively. The proforma financial information was for illustrative purposes only and was not necessarily an indication of the revenue and results of operations 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 results.

The goodwill of HK$8,493,000 arose from a number of factors. The most significant amongst these is Hebei Tiandao will invest in construction of LNG storage and distribution centres for sales and distribution of LNG to industrial, commercial and residential customers and LNG refueling stations that significantly further expand the Group's LNG related business activities.

34. BUSINESS COMBINATION (continued)

(c) On 9 August 2016, the Group acquired 65% equity interest of Hebei Dezhong by injecting a sum of approximately HK$7,284,000, of which the entire amount was 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 fair value of the identifiable assets and liabilities of Hebei Dezhong acquired as at the date of acquisition is as follows:–

	2016 HK$'000
Plant and equipment	327
Prepayments, deposits and other receivables	11,632
Accounts receivable	231
Inventories	5
Bank balances	26
Accounts payable	(27)
Accrued charges and other payables	(982)
	11,212
Non-controlling interests	(3,924)
	7,288
Gain on bargain purchase arising on acquisition	
Consideration for acquisition	
Including: Consideration paid upon acquisition	–
Consideration paid as capital injection to the subsidiary	7,284
Less: Fair value of identifiable net assets acquired	(7,288)
	(4)
Net cash inflow arising from business combination	
Cash consideration paid	–
Less: Cash and cash equivalents acquired	26
	26

Acquisition related costs incurred during the year to these acquisitions amounting to approximately HK$134,000 were included in administrative expenses in the profit or loss.

The Group recognised a gain on bargain purchase of approximately HK$4,000 because the fair value of identifiable net assets acquired exceeded the purchase consideration.

The newly acquired business contributed turnover and revenue of approximately HK$1,699,000 to the Group respectively and contributed a loss of approximately HK$1,278,000 to the Group for the period between the date of acquisition and the end of the reporting year. The Group considers that the business combination will have synergy effect with the existing operations in Hebei. In addition, the Group expected to expand its LNG business in the PRC in view of the benefit of expected revenue growth and future market development.

34. BUSINESS COMBINATION (continued)

(c) (continued)

Had the acquisition been completed on 1 January 2016, the Group's turnover, revenue and profit for the year ended 31 December 2016 would be approximately HK$207,051,000, HK$201,590,000 and HK$152,817,000 respectively. The proforma financial information was for illustrative purposes only and was not necessarily an indication of the revenue and results of operations 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 results.

(d) On 19 October 2015, the Group acquired 100% equity interests in CHKFIN, a company incorporated in Hong Kong, at a cash consideration of HK$10.

The fair value of the identifiable assets and liabilities of the subsidiary acquired as at the date of acquisition is as follows:-

	HK$'000
Other receivables	167
Bank balances	2
Accruals	(49)
Amount due to a related company	(5)
	115
Gain on bargain purchase arising on acquisition	
Consideration for acquisition	–
Less: Fair value of identifiable net assets acquired	(115)
	(115)
Net cash inflow arising from business combination	
Cash consideration paid	–
Less: Cash and cash equivalents acquired	2
	2

The Group recognised a gain on bargain purchase of approximately HK$115,000 because the fair value of net assets acquired exceeded the purchase consideration.

The newly acquired business contributed the turnover and revenue of approximately HK$5,317,000 to the Group and contributed a profit of approximately HK$2,942,000 to the Group for the period between the date of acquisition and the date of disposal as set out in note 36 to the consolidated financial statements.

Had the acquisition been completed on 1 January 2015, the Group's turnover, revenue and profit for the year would be the same as Jin Hung Finance had no revenue between 1 January 2015 to the date of acquisition. The proforma financial information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been completed on 1 January 2015 nor is intended to be a projection of future results.

On 10 December 2015, the Group completed the disposal of its 39.58% equity interest of Key Fit, of which CHKFIN was a wholly-owned subsidiary of Key Fit, at a total consideration of HK$809,000,000 (note 36).

35. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 10 November 2016, the Group acquired 97% equity interest of Shanghai YaDong Hong Hua Ji Zhuang Xiang Yun Shu Co., Ltd.* (上海亞東宏華集裝箱運輸有限公司) ("Shanghai Yadong") at a total consideration of HK$2,337,000. Pursuant to the share transfer agreement, the non-controlling interest does not (i) involve in the operation; (ii) entitle any profit sharing; and (iii) bear the business risk of Shanghai Yadong. Prior to completion of the acquisition, Shanghai Yadong had not carried on any significant business activities and held a road transportation operation permit of dangerous goods.

The net assets acquired by the Group in the above transaction are as follows:–

	2016 HK$'000
Intangible assets	2,337
Total consideration satisfied by:	
Cash	2,103
Consideration payables (included in other payables)	234
	2,337
Net cash outflow arising on acquisition	
Cash consideration paid	(2,103)
Less: Cash and cash equivalents acquired	–
	(2,103)

36. DISPOSAL OF SUBSIDIARIES

Pursuant to the sale and purchase agreement dated 18 May 2015 and side letter agreement dated 3 September 2015 entered into between the Company and several third party purchasers, the Company agreed to dispose a portion of the issued share capital of Key Fit, which was a wholly-owned subsidiary of the Group, to the purchasers. The proceeds from such disposal were intended to be used for the development of the Group's LNG business, future potential investments and general working capital of the Group. On 10 December 2015, the Group completed the disposal of an aggregate of 277,054,799 shares of Key Fit, representing approximately 39.58% of the issued share capital of HK$700 million of Key Fit, for an aggregate consideration of HK$809,000,000 (the "Disposal").

36. DISPOSAL OF SUBSIDIARIES (continued)

Subsequent to the Disposal, the Company held 60.42% of the issued share capital of Key Fit and two new directors were appointed. The composition of the board of directors was changed thereon. Only a director, Mr. Kan was nominated by the Company that represents one-third voting power in the board of directors of Key Fit, and the Company considered loss of control over the board of directors of Key Fit. Accordingly, Key Fit ceased to be a subsidiary of the Group and then become an associate of the Group.

The carrying amount of the net assets de-recognised in respect of Key Fit and its subsidiaries were as follows:–

	2015 HK$'000
Carrying amount of the net assets de-recognised:	
Plant and equipment	11,350
Prepayments, deposits and other receivables	8,575
Amounts due from fellow subsidiaries	62,589
Loan receivables	177,088
Cash and bank balances	815,338
Accrued charges and other payables	(2,079)
Amount due to a shareholder	(10,630)
Amounts due to fellow subsidiaries	(55,303)
Income tax payable	(582)
	1,006,346
Consideration received:	
Cash consideration	809,000
Gain on disposal of subsidiaries to become associates:	
Consideration received	809,000
Carrying amount of net assets de-recognised	(1,006,346)
Investment retained in the former subsidiary at fair value	608,042
Reversal of impairment loss recognised in respect of amounts due from fellow subsidiaries	(1,117)
	409,579

Analysis of net outflow of cash and cash equivalents in respect of the Disposal:–

	2015 HK$'000
Cash consideration	809,000
Cash and cash equivalents disposed of	(815,338)
Net outflow of cash and cash equivalents	(6,338)

The Group recognised a gain of approximately HK$409,579,000 as a result of recognising the remaining interest retained in the former subsidiary at fair value at the date when control was lost. The gain was included in the consolidated statement of profit or loss for the year.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Investments in subsidiaries

	2016 HK$'000	2015 HK$'000
Unlisted shares, at cost	**462,945**	40,000

Particulars of the Company's principal subsidiaries at 31 December 2016 are as follows:–

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
ACE Vantage Investments Limited	Hong Kong	HK$1	100.00%	–	Property investment
Smart Look Limited	Hong Kong	HK$1	100.00%	–	Property investment
China LNG Limited	Hong Kong	HK$40,000,000	100.00%	–	Investment holdings
Key Fit	Hong Kong	HK$700,000,000	60.42%	–	Investment holdings and trading of securities
CHKFIN	Hong Kong	HK$14,000,000	–	60.42%	Financial service through provision of money lending business
CHKCAM	Hong Kong	HK$400,000,000	–	60.42%	Provision of securities brokerage and trading, margin financing and securities investments
港能國際融資租賃有限公司[1] (China LNG Finance Leasing Co., Ltd.) ("CLNG Finance")*	PRC	US$165,000,000 (Paid up US$60,000,000)	–	100.00%	Finance leasing services for LNG vehicles and equipment
港能綠恩格設備租賃服務(上海)有限公司[1] (Great Trend Investment Management (Shanghai) Co., Ltd.)*	PRC	US$10,000,000 (Paid up US$2,136,000)	–	100.00%	LNG vehicles services and new energy related business
港強天然氣上海有限公司[2] (Gangqiang Natural Gas Shanghai Co., Ltd.) ("Gangqiang")	PRC	RMB100,000,000 (Paid up RMB15,000,000)	–	60.00%	Development and operation of oil-to-gas conversion and LNG refuelling facilities on floating barges, development of LNG related technologies, operation of LNG refuelling stations, trading of gas ignition equipment and utilisation of new energy sources
CLNG Investment[1]	PRC	US$100,000,000 (Paid up US$10,800,000)	–	100.00%	Investment holdings
上海港宏融資租賃有限公司[1,5] (Shanghai Ganghong Finance Leasing Co., Ltd.) ("Ganghong")*	PRC	US$10,000,000 (Paid up US$375,000)	–	100.00%	Finance leasing services for LNG vessels
山東港能能源有限公司[3] (CLNG Shandong Energy Co., Ltd.) ("CLNG Shandong")	PRC	RMB10,000,000 (Paid up RMB1,000,000)	–	100.00%	LNG supply and management

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
浙江港能天然氣利用有限公司[3] (Zhejiang CLNG Tian Ran Qi Li Yong Co., Ltd.)*	PRC	RMB50,000,000 (Paid up RMBNil)	–	100.00%	Construction and operation of natural gas filling stations and LNG supply
Hebei Tiandao[4]	PRC	RMB61,230,000 (Paid up RMB46,230,000)	–	51.00%	Investment, development, management and operation of LNG storage and transportation projects
港能天然氣有限責任公司[3] (China LNG Tian Ran Qi Co., Ltd.)*	PRC	RMB100,000,000 (Paid up RMB9,833,700)	–	100.00%	Investment holding
陝西港通能源有限公司[3] (Shaanxi Gangtong Neng Yuan Co., Ltd.)*	PRC	RMB30,000,000 (Paid up RMBNil)	–	100.00%	Wholesale of ethanol and liquefied petroleum gas and LNG supply and management
Hebei Dezhong[4]	PRC	RMB9,590,300 (Paid up RMB8,660,640)	–	65.00%	Sales and distribution of LNG, LNG supply and management
湖北港順天然氣有限公司[4] (Hubei Gangshun Tian Ran Qi Co., Ltd.) ("Hubei Gangshun")	PRC	RMB10,000,000 (Paid up RMB6,000,000)	–	60.00%	Sales and distribution of LNG, LNG supply and management

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

1 They are wholly foreign owned enterprises under the PRC laws.

2 Gangqiang is registered as a cooperative joint venture under the PRC laws.

3 They are wholly-owned domestic enterprises indirectly held by the Company's subsidiaries.

4 They are non-wholly-owned domestic enterprises indirectly held by the Company's subsidiaries.

5 CLNG Finance, a wholly owned subsidiary of the Company, signed a series of contractual agreements with the shareholders of 上海溧閑實業有限公司 to control Ganghong, pursuant to which the economic benefits and control of Ganghong are transferred to CLNG Finance. Hence, Ganghong is an indirect wholly owned subsidiary of the Company.

* *For identification purposes only*

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

The following table lists out the information relating to Key Fit Group, Gangqiang, Hebei Tiandao, Hebei Dezhong and Hubei Gangshun, the subsidiaries of the Company which have material non-controlling interests ("NCI") in 2016. The summarised financial information presented below represents the amounts before any inter-company elimination.

	At 31 December 2016				
	Key Fit Group (Consolidated)	Gangqiang	Hebei Tiandao	Hebei Dezhong	Hubei Gangshun
NCI Percentage	39.58%	40.00%	49.00%	35.00%	40.00%
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Gross amount					
Current assets	1,371,893	3,678	69,085	5,800	1,697
Non-current assets	11,783	12,349	15,805	11,196	4,825
Current liabilities	(166,651)	(75)	(151)	(7,505)	(332)
Net assets	1,217,025	15,952	84,739	9,491	6,190
Reconciliation					
Gross amount of equity	N/A	15,952	N/A	N/A	N/A
Contributed share capital by the Group	N/A	(17,906)	N/A	N/A	N/A
	N/A	(1,954)	N/A	N/A	N/A
Carrying amount of NCI	481,698	(781)	41,522	3,322	2,476

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

	Key Fit Group (Consolidated) Period from 17.5.2016 to 31.12.2016 HK$'000	Gangqiang For the year ended 31.12.2016 HK$'000	Hebei Tiandao Period from 22.7.2016 to 31.12.2016 HK$'000	Hebei Dezhong Period from 9.8.2016 to 31.12.2016 HK$'000	Hubei Gangshun Period from 8.8.2016 to 31.12.2016 HK$'000
Revenue	169,414	–	982	1,699	188
Profit/(loss) for the period/year	155,755	(725)	181	(1,278)	(532)
Total comprehensive income/(loss)	155,755	(1,845)	(3,774)	(1,721)	(821)
Profit/(loss) allocated to NCI	61,647	(290)	89	(447)	(213)
Cash flows (used in)/from operating activities	(218,207)	(584)	(37,021)	2,131	(923)
Cash flows from/(used in) investing activities	1,528	(7,077)	(15,300)	(11,392)	(5,050)
Cash flows (used in)/from financing activities	(52,172)	–	53,635	10,120	7,013

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

The following table listed out the information relating to Gangqiang, the only subsidiary of the Group which had material non-controlling interests (NCI) in 2015. The summarised financial information presented below represented the amounts before any inter-company elimination.

	2015
NCI Percentage	40%

	2015 HK$'000
Gross amount	
Current assets	11,858
Non-current assets	5,975
Current liabilities	(36)
Net assets	17,797
Reconciliation	
Gross amount of equity	17,797
Contributed share capital by the Group	(17,906)
	(109)
NCI Percentage	40%
Carrying amount of NCI	(43)

	2015 HK$'000
Gross amount	
Revenue	–
Loss for the year	(113)
Other comprehensive income for the year	4
Total comprehensive loss for the year	(109)
Loss allocated to NCI	(43)
Cash flows used in operating activities	(539)
Cash flows used in investing activities	(6,222)
Cash flows from financing activities	18,671

* *For identification purposes only*

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 December 2016 is as follows:–

	Note	**2016 HK$'000**	2015 HK$'000
Non-current assets			
Investments in subsidiaries	37	**462,945**	40,000
Investment in an associate		**–**	422,945
		462,945	462,945
Current assets			
Amounts due from subsidiaries		**536,653**	439,903
Amount due from an associate		**–**	46,086
Prepayments		**1,195**	1,188
Bank balances		**74**	335
		537,922	487,512
Current liabilities			
Amounts due to subsidiaries		**318,144**	204
Accrued charges and other payables		**1,968**	6,354
Amount due to a shareholder		**38,015**	250,000
		358,127	256,558
Net current assets		**179,795**	230,954
Net assets		**642,740**	693,899
Capital and reserves			
Share capital	29(a)	**112,774**	112,770
Reserves	30(b)	**529,966**	581,129
Total equity		**642,740**	693,899

39. MAJOR NON-CASH TRANSACTION

Purchase of plant and equipment of approximately HK$10,500,000 was settled by a shareholder of the Company during 2015.

40. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets subject to offsetting, enforceable netting arrangements:

	As at 31 December 2016				
	Gross amounts of recognised financial assets HK$'000	**Gross amounts of recognised financial liabilities HK$'000**	**Net amounts of financial liabilities HK$'000**	**Cash received/ (paid) as settlement HK$'000**	**Net amount of financial liabilities presented in the consolidated statement of financial position HK$'000**
Amount due from/(to) an associate	**–**	**–**	**–**	**–**	**–**

	As at 31 December 2015				
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities HK$'000	Net amounts of financial assets HK$'000	Cash received/ (paid) as settlement HK$'000	Net amount of financial assets presented in the consolidated statement of financial position HK$'000
Amount due from/(to) an associate	55,303	(63,706)	(8,403)	–	(8,403)

The Group had entered into the netting arrangements with Key Fit for the amount due from/(to) an associate.

41. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) On 14 December 2016, CLNG Hubei Energy Co., Ltd.* (港能(湖北)能源有限公司) ("CLNG Hubei"), a wholly-owned subsidiary of the Company and Beijing Zhongyi Shengda Petrochemical Co., Ltd.* (北京中億盛達石油化工有限公司) ("Zhongyi Shengda") entered into a project cooperation agreement, pursuant to which Hebei Gangshun New Energy Co., Ltd.* (河北港順新能源科技有限公司) ("Hebei Gangshun") shall be incorporated with the registered capital of RMB10,000,000. CLNG Hebei and Zhongyi Shengda shall inject a sum of RMB6,000,000 and RMB4,000,000, respectively, into Hebei Gangshun, of which RMB10,000,000 will be recognised as the registered capital of Hebei Gangshun.

Hebei Gangshun is principally engaged in investment in gasoline stations and trading of LNG.

The above transactions were completed on 1 January 2017. CLNG Hebei holds 60% of the issued registered capital of Hebei Gangshun and Hebei Gangshun has become a non-wholly-owned subsidiary of the Company.

(ii) On 3 January 2017, CLNG Shandong, a wholly owned subsidiary of the Company, and two individuals entered into a share transfer agreement, pursuant to which CLNG Shandong agreed to purchase and each of the two individuals agreed to sell 10% and 50% equity interests in Shandong Aohai Natural Gas Technology Co., Ltd.* (山東奧海天然氣資源技術有限公司) ("Shandong Aohai"), respectively, for a total consideration of RMB900.

Afterwards, CLNG Shandong shall inject a sum of RMB6,000,000 into Shandong Aohai, of which the entire amount will be recognised as the registered capital of Shandong Aohai.

Shandong Aohai is principally engaged in trading of natural gas.

The above transactions were completed on 9 January 2017. CLNG Shandong holds 60% of the issued registered capital of Shandong Aohai and Shandong Aohai has become a non-wholly-owned subsidiary of the Company.

(iii) On 6 February 2017, CLNG Shanghai Natural Gas Energy Co., Ltd.* (港能(上海)天然氣能源有限公司) ("CLNG Shanghai Natural Gas"), a wholly-owned subsidiary company of the Company and Shenzhen Qianhai Huaran Energy Co. Ltd* (深圳市前海華燃能源有限公司) ("Qianhai Huaran ") entered into a project cooperation agreement, pursuant to which Shandong Gangran Energy Co., Ltd.* (山東港燃能源有限公司) ("Shandong Gangran") shall be incorporated with registered capital of RMB 50,000,000. CLNG Shanghai Natural Gas and Qianhai Huaran shall inject a sum of RMB 30,000,000 and RMB 20,000,000, respectively, into Shandong Gangran, of which RMB 50,000,000 will be recognised as the registered capital of Shandong Gangran.

Shandong Gangran is principally engaged in sales and distribution of LNG and technology development on natural gas production and new energy technology.

The above transactions were completed on 1 March 2017. CLNG Shanghai Natural Gas holds 60% of the issued registered capital of Shandong Gangran and Shandong Gangran has become a non-wholly owned subsidiary of the Company.

Financial Summary

	For the year ended 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	21,864	24,831	357,893	30,847	**200,711**
Profit before taxation	21,284	22,474	351,389	401,571	**155,141**
Taxation	(1,213)	(1,874)	(57,657)	(557)	**(2,332)**
Profit for the year	20,071	20,600	293,732	401,014	**152,809**
Attributable to:–					
Equity shareholders of the Company	20,071	20,600	293,732	401,059	**92,023**
Non-controlling interests	–	–	–	(45)	**60,786**
Profit for the year	20,071	20,600	293,732	401,014	**152,809**
Earnings per share (HK cents)					
Basic	0.05	0.05	0.55	0.71	**0.16**

	At 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	253,584	256,551	549,329	1,122,619	**1,627,362**
Total liabilities	(1,857)	(1,596)	(57,028)	(274,748)	**(245,084)**
Total equity	251,727	254,955	492,301	847,871	**1,382,278**

Group's Properties

Properties held for investment

Location	Existing use	Term of lease
Flat A, 10/F, Tower 2, Tregunter, No.14 Tregunter Path, Hong Kong with car parking space No. 59 on Level 7 of Tower 1 and 2	Residential	Medium
Flat A, 1/F, Tower 3, No. 37 Repulse Bay Road, Hong Kong with car parking space No. 61 on Podium Level 4	Residential	Long