中國天然氣集團有限公司
CHINA LNG GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

INTERIM REPORT **2017**

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	**Six months ended 30 June** **2017** **(Unaudited)** ***HK$'000***	2016 (Unaudited) *HK$'000*
Continuing operations			
Turnover – gross	*3*	**1,290,924**	13,672
Revenue	*3*	**163,848**	13,672
Cost of sales		**(201,252)**	—
Gross (loss)/profit		**(37,404)**	13,672
Other income and gains		**1,522**	3,564
Share of results of associates		**(83)**	32,968
Selling and distribution expenses		**(10,712)**	(9,580)
Administrative expenses		**(50,145)**	(21,237)
(Loss)/profit before taxation	*5*	**(96,822)**	19,387
Taxation	*6*	**(1,200)**	(673)
(Loss)/profit for the period from continuing operations		**(98,022)**	18,714
Discontinued operation			
Profit for the period from the discontinued operation	*7*	**468**	210
(Loss)/profit for the period		**(97,554)**	18,924
Attributable to:–			
Equity shareholders of the Company		**(71,428)**	18,196
Non-controlling interests		**(26,126)**	728
(Loss)/profit for the period		**(97,554)**	18,924

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
(Loss)/earnings per share (HK cents)	*9*		
From continuing and discontinued operations			
– Basic		**(1.267)**	0.323
– Diluted		**(1.267)**	0.323
From continuing operations			
– Basic		**(1.275)**	0.319
– Diluted		**(1.275)**	0.319
From discontinued operation			
– Basic		**0.008**	0.004
– Diluted		**0.008**	0.004

The notes on pages 8 to 40 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 8.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(97,554)**	18,924
Other comprehensive income/(loss) for the period, net of tax:–		
Items that may be subsequently reclassified to profit or loss:–		
Exchange differences arising on translation of financial statements of foreign operations	**16,350**	(10,500)
Total comprehensive (loss)/income for the period	**(81,204)**	8,424
Total comprehensive (loss)/income for the period attributable to:–		
Equity shareholders of the Company	**(56,880)**	7,850
Non-controlling interests	**(24,324)**	574
	(81,204)	8,424

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**30 June 2017 (Unaudited) *HK$'000***	31 December 2016 (Audited) *HK$'000*
Non-current assets			
Investment properties	*10*	**—**	66,000
Plant and equipment	*11*	**149,486**	34,930
Goodwill		**8,449**	8,493
Other intangible assets		**2,188**	2,233
Interest in associates		**10,453**	—
Deposits for acquisition of plant and equipment		**50,435**	35,650
Deposits for acquisition of a subsidiary and associates		**4,589**	9,724
Receivables under LNG finance lease arrangements	*12*	**48,430**	56,551
LNG finance lease receivables	*13*	**45,004**	60,088
Statutory deposits		**250**	250
Deferred tax asset		**—**	10
Total non-current assets		**319,284**	273,929
Current assets			
Inventories		**15,816**	2,626
Receivables under LNG finance lease arrangements	*12*	**56,980**	48,307
LNG finance lease receivables	*13*	**86,329**	83,953
Loan receivables	*14*	**171,395**	209,808
Accounts and other receivables	*15*	**195,744**	163,224
Financial assets at fair value through profit or loss	*16*	**535**	183,024
Derivative financial instrument	*17*	**2,045**	—
Restricted cash	*18*	**33,009**	—
Bank balances and cash	*19*	**655,903**	662,491
		1,217,756	1,353,433
Assets of disposal groups classified as held for sale	*7*	**67,213**	—
Total current assets		**1,284,969**	1,353,433

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Current liabilities			
Accounts and other payables	20	309,731	232,518
Income tax payable		13,077	12,178
		322,808	244,696
Liabilities of disposal groups classified as held for sale	7	628	—
Total current liabilities		323,436	244,696
Net current assets		961,533	1,108,737
Total assets less current liabilities		1,280,817	1,382,666
Non-current liability			
Deferred tax liability		—	388
Net assets		1,280,817	1,382,278
Capital and reserves			
Share capital	21	112,774	112,774
Reserves		688,440	741,267
Equity attributable to equity shareholders of the Company		801,214	854,041
Non-controlling interests		479,603	528,237
Total equity		1,280,817	1,382,278

The notes on pages 8 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	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 2016	112,770	483,856	9,370	(23,441)	265,359	847,914	(43)	847,871
2015 final dividend declared (note 8)	—	(56,385)	—	—	—	(56,385)	—	(56,385)
Non-controlling interest arising from business combination	—	—	—	—	—	—	420,051	420,051
Profit for the period	—	—	—	—	18,196	18,196	728	18,924
Other comprehensive loss for the period, net of tax:– Exchange differences on translating foreign operations	—	—	—	(10,346)	—	(10,346)	(154)	(10,500)
Total comprehensive income for the period	—	—	—	(10,346)	18,196	7,850	574	8,424
At 30 June 2016 (Unaudited)	112,770	427,471	9,370	(33,787)	283,555	799,379	420,582	1,219,961
At 1 January 2017	**112,774**	**428,029**	**9,370**	**(53,514)**	**357,382**	**854,041**	**528,237**	**1,382,278**
Non-controlling interest arising from business combination	**–**	**–**	**–**	**–**	**–**	**–**	**(51)**	**(51)**
Deemed disposal of partial interest in a subsidiary without loss of control	**–**	**–**	**–**	**–**	**4,053**	**4,053**	**(4,053)**	**–**
Dividend paid to non-controlling shareholders of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(26,043)**	**(26,043)**
Capital contribution from non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**5,837**	**5,837**
Loss for the period	**–**	**–**	**–**	**–**	**(71,428)**	**(71,428)**	**(26,126)**	**(97,554)**
Other comprehensive income for the period, net of tax:– Exchange differences on translating foreign operations	**–**	**–**	**–**	**14,548**	**–**	**14,548**	**1,802**	**16,350**
Total comprehensive loss for the period	**–**	**–**	**–**	**14,548**	**(71,428)**	**(56,880)**	**(24,324)**	**(81,204)**
At 30 June 2017 (Unaudited)	**112,774**	**428,029**	**9,370**	**(38,966)**	**290,007**	**801,214**	**479,603**	**1,280,817**

The notes on pages 8 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH FROM OPERATING ACTIVITIES	**83,799**	165,286
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	**(122,113)**	876,621
NET CASH FROM FINANCING ACTIVITIES	**29,794**	—
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(8,520)**	1,041,907
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**3,068**	(11,271)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**662,491**	170,011
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**657,039**	1,200,647
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**655,903**	1,200,647
Bank balances and cash included in assets of disposal groups classified as held for sale	**1,136**	—
	657,039	1,200,647

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

China LNG Group Limited (the "Company" together with its subsidiaries, the "Group") was incorporated in the Cayman Islands on 5 December 2000 as an exempted company with limited liability under the Companies Law (2001 Second Revision) Chapter 22 of the Cayman Islands. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 October 2001. The address of the registered office and principal place of business of the Company is located at 8/F, St. John's Building, 33 Garden Road, Central, Hong Kong.

The Company is an investment holding company and the principal activities of the Group are development of liquefied natural gas ("LNG") businesses, including point-to-point supply and wholesale of LNG, provision of LNG logistic services, sales of LNG vehicles, provision of finance leasing services for LNG vehicles, vessels and equipment in the People's Republic of China (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 and financial services through provision of money lending business in Hong Kong. The Group's properties investment business was regarded as a discontinued operation in the preparation of the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017.

2. BASIS OF PREPARATION

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

2. BASIS OF PREPARATION *(continued)*

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 31 December 2016, except for the standards, amendments and interpretations (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards") issued by the HKICPA applicable to the annual period beginning on 1 January 2017. The effect of the adoption of these Hong Kong Financial Reporting Standards had no material effect on the Group's results of operations and financial position for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

(i) Derivative financial instrument is recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged. For derivative financial assets that are linked to unquoted equity instruments, which do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and must be settled by delivery of such unquoted equity instruments, it is carried at cost less impairment.

(ii) A disposal group is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the disposal group is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

2. BASIS OF PREPARATION *(continued)*

Immediately before classification as held for sale, the measurement of all individual assets and liabilities in a disposal group is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the disposal group is recognised at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is included in a disposal group that is classified as held for sale, the non-current assets is not depreciated or amortised.

(iii) A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

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

3. TURNOVER AND REVENUE

Turnover – gross

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Sales and distribution of LNG	**201,369**	—
Sales of LNG vehicles	**845**	—
Interest income from LNG finance lease arrangements	**4,018**	3,108
LNG finance leases interest income	**4,279**	3,972
Service fee income from leasing of LNG vehicles	**353**	355
Dividend income from financial assets at fair value through profit or loss	**462**	—
Gross income from disposal of financial assets at fair value through profit or loss	**170,882**	—
Gross income from disposal of derivative financial instrument	**891,327**	—
Gain on fair value changes of financial assets at fair value through profit or loss	**18**	416
Gain on fair value changes of derivative financial instrument	**2,045**	—
Interest income from loan financing	**11,839**	5,146
Interest income from securities margin financing	**2,315**	—
Services fee income	**584**	—
Brokerage income	**588**	675
	1,290,924	13,672

3. TURNOVER AND REVENUE *(continued)*

Revenue

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

	Six months ended 30 June	
	2017	2016
	(**Unaudited**)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Sales and distribution of LNG	**201,369**	—
Sales of LNG vehicles	**845**	—
Interest income from LNG finance lease arrangements	**4,018**	3,108
LNG finance leases interest income	**4,279**	3,972
Service fee income from leasing of LNG vehicles	**353**	355
Dividend income from financial assets at fair value through profit or loss	**462**	—
Loss on disposal of financial assets at fair value through profit or loss	**(37,003)**	—
Loss on disposal of derivative financial instrument	**(27,864)**	—
Gain on fair value changes of financial assets at fair value through profit or loss	**18**	416
Gain on fair value changes of derivative financial instrument	**2,045**	—
Interest income from loan financing	**11,839**	5,146
Interest income from securities margin financing	**2,315**	—
Services fee income	**584**	—
Brokerage income	**588**	675
	163,848	13,672

4. SEGMENT INFORMATION

The Group determines its operating segments based on the Directors' decisions. For management purposes, the Group is organised into eight (six months ended 30 June 2016: seven) continuing 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

— Sales and distribution of LNG including wholesale of LNG and point-to-point supply of LNG;

— Provision of LNG logistic services;

— Financial provision through finance leasing services for LNG vehicles, vessels and equipment;

— Provision of LNG in the midstream and 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; and

— Commercial vehicle platform services through the Group's Environmental Green Club ("綠擎匯"), including provision of the commercial vehicles users long distance IT control, insurance handling and purchase/sale of their new/used LNG/diesel vehicles.

(2) Trading of securities

(3) Provision of securities brokerage, margin financing and securities investments in Hong Kong

(4) Financial services through provision of money lending business

The Group's properties investment business was regarded as a discontinued operation, the details of which are set out in note 7.

4. SEGMENT INFORMATION *(continued)*

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

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

4. SEGMENT INFORMATION *(continued)*

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

Continuing operations

	Sales and distribution of LNG		Provision of LNG logistic services		Financial provision through finance leasing services for LNG vehicles, vessels and equipment		Provision of LNG in the midstream and downstream market and others		Provision of commercial vehicle platform services		Trading of securities		Provision of securities brokerage, margin financing and securities investments		Financial services through provision of money lending business		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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																		
External	**201,369**	–	**–**	–	**8,650**	7,435	**491**	–	**845**	–	**1,064,734**	416	**2,996**	675	**11,839**	5,146	**1,290,924**	13,672
REVENUE																		
External	**201,369**	–	**–**	–	**8,650**	7,435	**491**	–	**845**	–	**(62,342)**	416	**2,996**	675	**11,839**	5,146	**163,848**	13,672
RESULTS																		
Segment results	**(10,923)**	–	**(4,326)**	–	**7**	(10,534)	**(13,231)**	(3,512)	**(2,144)**	(46)	**(68,157)**	(770)	**(1,297)**	(1,439)	**11,788**	5,140	**(88,283)**	(11,161)
Other income and gains																	**–**	1,147
Share of results of associates																	**(83)**	32,968
Unallocated corporate expenses																	**(8,456)**	(3,567)
(Loss)/profit before taxation																	**(96,822)**	19,387
Taxation																	**(1,200)**	(673)
(Loss)/profit for the period																	**(98,022)**	18,714

The Group's operations of the development of LNG businesses including the sales and distribution of LNG, provision of LNG logistic services, provision of finance leasing services for LNG vehicles, vessels and equipment, provision of LNG in the midstream and 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 periods.

5. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
(Loss)/profit before taxation has been arrived at after charging/(crediting):–		
Amortisation of other intangible assets	**113**	—
Depreciation of plant and equipment	**5,414**	1,453
Interest income on bank deposits	**(726)**	(1,409)
Staff costs:–		
Directors' remuneration	**855**	870
Staff cost excluding directors' remuneration	**26,929**	12,933
Retirement benefits scheme contribution, excluding those included in directors' remuneration	**5,926**	2,577
	33,710	16,380

6. TAXATION

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Hong Kong Profits Tax	**931**	673
PRC Enterprise Income Tax	**269**	—
	1,200	673

Provision of Hong Kong Profits Tax and PRC Enterprise Income Tax were calculated at 16.5% and 25% respectively on the estimated assessable profits for the six months ended 30 June 2017 (the "Period"). No provision for taxation has been made in respect of the Company's subsidiaries operating in the PRC for the preceding period as they did not have assessable profits.

7. DISCONTINUED OPERATION

On 1 June 2017 and 5 June 2017, the Group and Mr. Kan Chi Kin, Billy Albert ("Mr. Kan"), an executive Director and the chairman of the Company, entered into provisional agreements and a supplemental agreement respectively, pursuant to which Mr. Kan agreed to acquire, and the Group agreed to sell the entire equity interests of two wholly-owned subsidiaries, ACE Vantage Investments Limited ("ACE") and Smart Look Limited ("SLL") at a total consideration of HK$67,200,000 (the "ACE and SLL Disposal"). Completion of the ACE and SLL Disposal took place on 7 August 2017 and the consideration has been settled in cash. ACE and SLL ceased to be subsidiaries of the Company thereafter and the Group no longer carried on the business of properties investment. Accordingly, the business segment of properties investment was regarded as a discontinued operation. Details of the ACE and SLL Disposal are set out in the Company's announcements dated 2 June 2017, 9 June 2017 and 7 August 2017.

The results from the discontinued operation for the Period are as follows: –

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover – gross	**620**	420
Revenue	**620**	420
Administrative expenses	**(152)**	(210)
Profit before taxation and profit for the period from the discontinued operation	**468**	210
Profit for the period from the discontinued operation attributable to equity shareholders of the Company	**468**	210

7. DISCONTINUED OPERATION *(continued)*

The assets and liabilities of the discontinued operation classified as held for sale at 30 June 2017 and 31 December 2016 are as follows:-

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Investment properties (note 10)	**66,000**	—
Plant and equipment	**21**	—
Deferred tax asset	**10**	—
Prepayments, deposits and other receivables	**46**	—
Bank balances and cash	**1,136**	—
Assets of disposal groups classified as held for sale	**67,213**	—
Accrued charges and other payables	**240**	—
Deferred tax liability	**388**	—
Liabilities of disposal groups classified as held for sale	**628**	—

8. DIVIDENDS

(a) The Directors do not recommend the payment of an interim dividend for the Period (six months ended 30 June 2016: Nil).

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

	Six months ended 30 June	
	2017 (Unaudited) *HK$'000*	2016 (Unaudited) *HK$'000*
Final dividend in respect of the previous financial year, approved and paid or payable during the current interim period of HK$nil per share (six months ended 30 June 2016: HK0.1 cent per share)	—	56,385

9. (LOSS)/EARNINGS PER SHARE

The calculation of weighted average number of shares of the Company (the "Shares") for the purpose of (loss)/earnings per Share had taken into account the effect of the share consolidation of every ten issued and unissued Shares of HK$0.002 each in the share capital of the Company into one ordinary share of HK$0.02 each ("Share Consolidation") (note 26) effective on 11 August 2017.

The weighted average number of Shares for (loss)/earnings per Share calculation represents the average number of Shares in issue during the current and preceding periods. There was no dilutive instrument during the current and preceding periods. These calculations of weighted average number of Shares assumed the aforementioned Share Consolidation was conducted at the beginning of the period on 1 January 2016.

The calculation of the basic and diluted (loss)/earnings per Share is based on the following data:-

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/profit for the period attributable to equity shareholders of the Company		
From continuing operations	**(71,896)**	17,986
From discontinuing operation	**468**	210
	(71,428)	18,196

9. (LOSS)/EARNINGS PER SHARE *(continued)*

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
		(Restated)
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of calculation of both basic and diluted (loss)/earnings per Share	**56,387,070,908**	56,385,049,100
Effect of the Share Consolidation effective on 11 August 2017	**(50,748,363,818)**	(50,746,544,190)
Adjusted weighted average number of ordinary shares in issue for the purpose of calculation of both basic and diluted (loss)/earnings per Share	**5,638,707,090**	5,638,504,910

10. INVESTMENT PROPERTIES

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
At 1 January	**66,000**	65,300
Fair value adjustment	**—**	700
Classified as held for sale (note 7)	**(66,000)**	—
At fair value	**—**	66,000

10. INVESTMENT PROPERTIES *(continued)*

At 30 June 2017 and 31 December 2016, all of the Group's investment properties were located in Hong Kong and were built on land held under the following term leases:–

	30 June 2017 (Unaudited) ***HK$'000***	31 December 2016 (Audited) *HK$'000*
Medium-term leases	**43,900**	43,900
Long-term leases	**22,100**	22,100
	66,000	66,000

The carrying amount of the Group's investment properties at 31 December 2016 was revalued by Roma Appraisals Limited, an independent professional valuer. The valuations were carried out by qualified persons who are members of the Hong Kong Institute of Surveys with recent experience in the location and category of properties being held. The fair values of investment properties are determined using direct comparison approach to value these properties in their respective existing status and uses on the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations take into account the characteristic of the properties which included the location, size, shape, view, floor level, year of completion and other factors collectively. Higher premium for properties with higher characteristic will result in a higher fair value measurement. The fair value measurement is positively correlated to the market rental but inversely correlated to the market yields. Hence, the Group's investment properties were classified as Level 3 of the fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. Level 3 inputs are defined as unobservable inputs.

The Directors have estimated that the fair values of the investment properties at 30 June 2017 did not vary significantly from the professional valuation at 31 December 2016. Accordingly, no fair value adjustment has been recognised in respect of the investment properties for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

10. INVESTMENT PROPERTIES *(continued)*

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:–

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
At beginning of the period/year	**66,000**	65,300
Effect of properties revaluation	**—**	700
Classified as held for sale	**(66,000)**	—
At end of the period/year	**—**	66,000
Unrealised gain or losses recognised in profit or loss relating to those assets held at the end of the reporting period	**—**	—

11. PLANT AND EQUIPMENT

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
At beginning of the period/year	**34,930**	4,298
Additions	**117,138**	22,418
Business combination (note 25)	**5**	14,630
Classified as held for sale (note 7)	**(21)**	—
Depreciation	**(5,414)**	(4,777)
Disposals	**—**	(465)
Exchange adjustments	**2,848**	(1,174)
At end of the period/year	**149,486**	34,930

12. 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:–

	30 June 2017 (Unaudited) ***HK$'000***	31 December 2016 (Audited) *HK$'000*
Within one year	**56,980**	48,307
In the second to fifth years, inclusive	**48,430**	56,551
	105,410	104,858

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 (31 December 2016: 1 year to 5 years) from the date of inception. The ownership of leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and the interest accrued under the finance lease arrangements. The lessees retain control of the assets before and after entering into the arrangements. These finance lease arrangements do not constitute leases for accounting purposes.

At 30 June 2017, the effective interest rates applicable to the finance lease arrangements ranged from approximately 7.64% to 13.78% per annum (31 December 2016: 7.64% to 13.78%).

12. RECEIVABLES UNDER LNG FINANCE LEASE ARRANGEMENTS *(continued)*

The maturity profile of receivables under LNG finance lease arrangements at the end of the reporting period, is as follows:–

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Neither past due nor impaired	**104,210**	104,438
Past due nor impaired:–		
Within 3 months	**957**	420
4 to 6 months	**144**	—
7 to 9 months	**99**	—
	105,410	104,858

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, not impairment loss is considered necessary.

The receivables are secured by the leased vehicles and vessels. The Group has obtained guarantees provided by the controlling shareholders of the lessees and other independent third parties for certain finance lease arrangements. 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.

13. LNG FINANCE LEASE RECEIVABLES

	Minimum lease payments 30 June 2017 (Unaudited) *HK$'000*	Minimum lease payments 31 December 2016 (Audited) *HK$'000*	**Present value of minimum lease payments 30 June 2017 (Unaudited) *HK$'000***	Present value of minimum lease payments 31 December 2016 (Audited) *HK$'000*
Within one year	**97,697**	94,066	**86,329**	83,953
In the second to fifth years, inclusive	**51,930**	69,082	**45,004**	60,088
	149,627	163,148	**131,333**	144,041
Less: Unearned finance income	**(18,294)**	(19,107)		
Present value of minimum lease payment receivables	**131,333**	144,041		
Less: Amount receivables within 12 months (shown under current assets)			**(86,329)**	(83,953)
Amount receivables after 12 months			**45,004**	60,088

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 (31 December 2016: 2 years to 4.5 years) from the date of inception. The ownership of the leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and the interest accrued under the finance lease contracts. The lessees retain control of the assets after entering into the contracts.

13. LNG FINANCE LEASE RECEIVABLES *(continued)*

At 30 June 2017, the effective interest rates applicable to the finance lease ranged from approximately 7.24% to 12.82% per annum (31 December 2016: 6.98% to 12.82%).

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

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Neither past due nor impaired	**114,519**	135,072
Past due nor impaired:–		
Within 3 months	**4,927**	6,563
4 to 6 months	**3,233**	2,406
7 to 9 months	**2,665**	—
10 to 12 months	**5,989**	—
	131,333	144,041

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 contracts. 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.

14. LOAN RECEIVABLES

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Loan receivables	**171,395**	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 12% to 15% per annum (31 December 2016: 8% to 15%).

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:–

	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
Neither past due nor impaired	**148,673**	100,412
Past due nor impaired:–		
Less than 1 month	**1,240**	3,927
Less than 3 months but over 1 month	**2,436**	95,807
Over 3 months	**19,046**	9,662
	171,395	209,808

14. LOAN RECEIVABLES *(continued)*

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.

15. ACCOUNTS AND OTHER RECEIVABLES

	30 June 2017 (Unaudited) ***HK$'000***	31 December 2016 (Audited) *HK$'000*
Accounts receivables arising from dealing in securities (note 15(a)):–		
Cash clients	**1,359**	2,849
Margin clients	**50,959**	49,088
Accounts and notes receivables arising from sales and distribution of LNG (note 15(b))	**34,877**	2,094
Total accounts receivables	**87,195**	54,031
Prepayments, deposits and other receivables	**51,269**	21,351
Loans to third parties (note 15(c))	**6,910**	9,149
Amounts due from non-controlling shareholders of subsidiaries (note 15(d))	**25,762**	69,510
Value-added tax recoverable	**24,608**	9,183
Total accounts and other receivables	**195,744**	163,224

15. ACCOUNTS AND OTHER RECEIVABLES *(continued)*

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 30 June 2017, the accounts receivables from margin clients were repayable on demand, interest-bearing at rate of 9.25% (31 December 2016: 9.25%) per annum and secured by clients' securities that are listed on The Stock Exchange of Hong Kong Limited with a total market value of approximately HK$69,072,870 (31 December 2016: HK$103,119,000).

The accounts receivables arising from dealing in securities at 30 June 2017 and 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 and notes 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:

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Within 3 months	**28,913**	1,846
4 to 6 months	**5,964**	248
	34,877	2,094

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 to 90 days.

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Past due but not impaired:-		
Within 3 months	**10,578**	782
4 to 6 months	**—**	109
	10,578	891

15. ACCOUNTS AND OTHER RECEIVABLES *(continued)*

(c) The loan of HK$6,910,000 (31 December 2016: HK$6,698,000) is secured by 35% equity interest of the borrower, interest-bearing at 8% per annum and repayable within six months. The loan of HK$nil (31 December 2016: 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$10,434,000 (31 December 2016: HK$18,614,000) payable by non-controlling shareholders and advances of HK$15,328,000 (31 December 2016: HK$50,896,000) to non-controlling shareholders of certain subsidiaries of the Group. The balances were unsecured, interest-free and repayable on demand.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Equity securities listed in Hong Kong, at fair value	**535**	183,024

The fair value of the Group's investments in listed equity securities had been determined directly by reference to their published price quotations in active market at 30 June 2017 and 31 December 2016.

17. DERIVATIVE FINANCIAL INSTRUMENT

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Hang Seng Index Futures	**2,045**	—

Fair value of the derivative financial instrument was determined by reference to their quoted bid prices at 30 June 2017.

18. RESTRICTED CASH

At 30 June 2017, restricted cash of (i) HK$23,666,000 (31 December 2016: Nil) denominated in Hong Kong dollar represented a margin deposit pledged to a bank to secure the Group's derivative financial instrument (note 17); and (ii) HK$9,343,000 (31 December 2016: Nil) denominated in Renminbi represented bank deposits secured for notes payable (note 20(d)).

19. BANK BALANCES AND CASH

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Cash at banks:–		
General accounts	**552,861**	512,244
Client accounts	**102,946**	150,190
Cash in hand	**96**	57
	655,903	662,491

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.

20. ACCOUNTS AND OTHER PAYABLES

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Accounts payables arising from dealing in securities (note 20(a)):–		
Cash clients (note 20(b))	**99,099**	145,874
Margin clients (note 20(c))	**3,742**	4,899
Hong Kong Securities Clearing Company Limited	**969**	1,779
Accounts and notes payables arising from purchase of LNG (note 20(d))	**45,930**	870
Total accounts payables	**149,740**	153,422
Accrued charges and other payables	**48,351**	19,413
Guaranteed deposits on LNG finance leases and finance leases arrangements	**23,625**	21,668
Amount due to a shareholder (note 20(e))	**88,015**	38,015
Total accounts and other payables	**309,731**	232,518

Notes: –

(a) The settlement terms of accounts payables 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$102,946,000 (31 December 2016: 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$28,004,000 (31 December 2016: HK$25,843,000) which was deposited by Mr. Kan.

(c) The accounts payables included HK$2,136,000 (31 December 2016: HK$2,139,000) which was deposited by a related company in which Mr. Kan has controlling interest.

20. ACCOUNTS AND OTHER PAYABLES *(continued)*

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

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Within three months	**35,107**	870
4 to 6 months	**10,823**	—
	45,930	870

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

At 30 June 2017, notes payables of HK$9,343,000 (31 December 2016: Nil) was secured by the Group's restricted cash (note 18).

(e) The amount due to a shareholder, Mr. Kan, is unsecured, interest-free and has been repaid on 4 July 2017.

21. SHARE CAPITAL

	30 June 2017		31 December 2016	
	Number of shares	**Amount HK$'000**	Number of shares	Amount HK$'000
Shares of HK$0.002 each				
Authorised	**200,000,000,000**	**400,000**	200,000,000,000	400,000
Issued and fully paid	**56,387,070,908**	**112,774**	56,387,070,908	112,774

22. RELATED PARTY TRANSACTIONS

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

	Note	Six months ended 30 June **2017** **(Unaudited)** ***HK$'000***	 2016 (Unaudited) *HK$'000*
Service fee income from a related company owned by an executive Director and the substantial shareholder	(i)	**93**	—
Brokerage income from an executive Director and the substantial shareholder	(i)	**2**	—

Note: –

(i) These transactions fall within the definition of "Connected transaction" in Chapter 14A of the Listing Rules for the Period.

The Company entered into a loan facility agreement with Mr. Kan in relation to the provision of a standby facility of HK$360,000,000 to the Company by Mr Kan. At 30 June 2017, this facility had been utilised of HK$88,015,000 (31 December 2016: HK$38,015,000).

22. RELATED PARTY TRANSACTIONS *(continued)*

(b) *Compensation of key management personnel*

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term benefits	**9,890**	8,039

23. 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:–

	30 June	31 December
	2017	2016
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within one year	**7,187**	6,714
In the second to fifth year inclusive	**3,533**	3,891
	10,720	10,605

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 six months to twenty years (31 December 2016: one year to twenty years) and does not include contingent rentals. One of the leases is guaranteed by Mr. Kan.

23. 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:–

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Within one year	**—**	300

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

Capital commitment

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

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Contracted but not provided for		
Plant and machinery	**93,172**	68,588
Capital contribution to subsidiaries	**3,522,768**	3,392,431
Acquisition of subsidiaries	**3,786**	491
	3,619,726	3,461,510

24. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The financial assets at fair value through profit or loss and derivative financial instrument held by the Group are carried at fair value. All other financial assets and liabilities are carried at amortised cost and approximate their respective fair values due to the relatively short-term nature of these financial instruments.

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

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

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

Level 3 Fair value measured using significant unobservable inputs.

	At 30 June 2017 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets				
Financial assets at fair value through profit or loss	**535**	**—**	**—**	**535**
Derivative financial instrument	**2,045**	**—**	**—**	**2,045**

During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period.

25. BUSINESS COMBINATION

For the six months ended 30 June 2017

On 9 January 2017, the Group acquired 60% equity interest of Shandong Aohai Natural Gas Technology Co., Ltd.* (山東奧海天然氣資源技術有限公司) ("Shangdong Aohai") at a cash consideration of HK$1,000.

Shandong Aohai is principally engaged in trading of LNG and investment, development, management and operation of LNG equipments in the PRC.

The fair value of the identifiable assets and liabilities of Shandong Aohai acquired as at the date of acquisition is as follows:–

	HK$'000
Plant and equipment	5
Inventories	314
Prepayments, deposits and other receivables	1,838
Bank balances and cash	73
Accounts payable	(261)
Accrued charges and other payables	(2,096)
	(127)
Non-controlling interests	51
	(76)
Goodwill arising on acquisition	
Consideration for acquisition	1
Less: Fair value of identifiable net liabilities acquired	76
	77
Net cash inflow arising from business combination	
Cash consideration paid	(1)
Less: Cash and cash equivalents acquired	73
	72

25. BUSINESS COMBINATION *(continued)*

Acquisition related costs incurred during the Period to these acquisitions amounting to approximately HK$27,000 were included in administrative expenses in profit or loss.

The newly acquired business contributed turnover and revenue of approximately HK$7,038,000 to the Group respectively and contributed a loss of approximately HK$112,000 to the Group for the Period between the date of acquisition and the end of the reporting period.

Had the acquisition been completed on 1 January 2017, the Group's turnover, revenue and loss for the Period would be approximately HK$1,291,544,000, HK$164,468,000 and HK$97,554,000 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 2017, nor was it intended to be a projection of future results.

The goodwill of HK$77,000 arose from a number of factors. The most significant amongst these is Shandong Aohai will step up the Group to expand its point-to-point supply of LNG in Shandong province.

26. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(i) On 1 June 2017, China LNG Limited ("CLNG"), a wholly-owned subsidiary 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 CLNG has conditionally agreed to sell, and Key Fit has conditionally agreed to purchase the 100% equity interest of the Group's two wholly-owned subsidiaries, China LNG Finance Leasing Co., Ltd.* (港能國際融資租賃有限公司) ("CLNG Finance Leasing") and Shanghai Ganghong Finance Leasing Co., Ltd.* (上海港宏融資租賃有限公司) ("Ganghong") for the consideration of US$52,200,000. Following the completion, CLNG Finance Leasing and Ganghong continue to be subsidiaries of the Company and their financial results will continue to be consolidated into the financial statements of the Company. Completion of the disposal of equity interests in CLNG Finance Leasing and Ganghong took place on 7 August 2017.

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

(ii) On 26 June 2017, CLNG Shandong Energy Co., Ltd.* (山東港能能源有限公司) ("CLNG Shandong"), a wholly-owned subsidiary of the Company, and three independent third parties entered into a capital injection agreement, pursuant to which CLNG Shandong agreed to inject an amount of RMB3,122,400, equivalent to 51% enlarged equity interests of Qingdao Aobo Shun Tuo Gas Co., Ltd. (青島奧博順拓氣體有限公司) ("Qingdao Aobo"). Qingdao Aobo is principally engaged in wholesale on the LNG and held a road transportation operation permit of dangerous goods.

The capital injection was completed on 11 July 2017. CLNG Shandong holds 51% of the enlarged issued share capital of Qingdao Aobo and Qingdao Aobo has become a non-wholly-owned subsidiary of the Company.

(iii) Pursuant to the poll results of the extraordinary general meeting held on 10 August 2017, the share consolidation of every ten (10) of the issued and unissued shares of the Company of HK$0.002 each in the share capital of the Company into one (1) ordinary share of HK$0.02 each was approved, confirmed and ratified. The Share Consolidation was effective from 11 August 2017.

27. COMPARATIVE AMOUNTS

The comparative unaudited condensed consolidated statement of profit or loss and condensed consolidated statement of comprehensive income have been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period (note 7).

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

PKF

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

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

Introduction

We have reviewed the interim financial information set out on pages 1 to 40 which comprises the condensed consolidated statement of financial position of China LNG Group Limited at 30 June 2017 and the related condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Scope of review

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

Conclusion

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

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong

30 August 2017

Lam Kar Bo
Practising Certificate Number: P05453

Prospect

The Report on Natural Gas Development in China (2017) (《中國天然氣發展報告(2017)》) jointly issued by the Oil and Gas Department of the National Energy Administration (國家能源局油氣司), Institute of Resources and Environment Policy Research of the Development Research Center of the State Council (國務院發展研究中心資源與環境政策研究所) and the Strategic Research Center of Oil and Gas Resources of the Ministry of Land and Resources (國土資源部油氣資源戰略研究中心) indicates that China must increase natural gas utilisation, form positive and complementary relationship between natural gas and renewable energy, and increase the percentage of clean energy in total energy consumption in order to promote transition of primary energy and accelerate the institution of a clean, low-carbon, safe and efficient modern energy system. It is necessary to build consensus and further ascertain strategic position of natural gas as one of the primary energy in China.

Meanwhile, we noted that the Chinese government will take mandatory measures with more specific targets to implement "the crucial action of the comprehensive treatment of air pollution in the Beijing, Tianjin, Hebei provinces and their surrounding areas during the autumn and winter of 2017-2018" (京津冀及周邊地區2017-2018年秋冬季大氣污染綜合治理攻堅行動). The Company has made strategic expansion, built teams and completed project development and construction in such areas. The Group will make significant progress in its business from two aspects. On one hand, the number of new projects will grow significantly. On the other hand, as coal boilers are strictly banned later this year, the completed projects of the Group can operate at the designed capacity and the supply volume of natural gas will increase significantly. In addition, the Group has almost completed negotiation of a long-term contract with a large state-owned enterprise to secure reliable LNG supply.

In respect of logistic distribution, the Group currently possesses a total of 60 LNG trucks for transportation, but still cannot satisfy the growing sales volume of LNG. In the second half of 2017, the Group will establish an integrated logistics and trading unit, under which the logistics and trading centres of Northwest China, Northern China and Eastern China will be set up. The Shanghai headquarter will be responsible as a centralised dispatching platform and a network transaction platform in the PRC, on which customers will be allowed to conduct trading of LNG. Meanwhile, the subordinate logistics and trading centres will each serve the functions of logistic distribution, management of the stations as well as domestic and foreign trades on their own. It is expected that at the end of 2017, the Group will possess 180 LNG trucks for transportation, among which 20 units will be added to Shanghai and the regions of Eastern China, 50 units will be added to the regions of Northern China as well as 50 units will be added to the regions of Northwest China. The further implementation of the logistics and trading headquarters in Northern China, Eastern China and Northwest China will significantly increase the Group's ability in guaranteeing its supplies.

Based on the abovementioned factors, it is expected that the point-to-point supply business will see great progress in the second half of 2017. We expect that sales volume for point-to-point supply projects will amount to 350 million cubic meters in the second half of the year and the Group will record an estimate of total natural gas sales volume of 374.5 million cubic meters from point-to-point supply projects for the whole year of 2017, with operating revenue of HK$1.0 billion.

"Tackling with smog, improving environment" is the mission of the Group. The Group always embraced the concept of "Promoting clean energy – use of natural gas", highlighting scientific development and continuously enhancing corporate and economic benefit. In addition to the current business segments, namely point-to-point supply, finance leasing and LNG supply chain, it has gradually expanded into the regional energy supply, distributed energy, transportation energy, and finally established presence over the whole industry chain from source of LNG, logistics, reserves and terminal, and become an influential LNG energy supplier in China.

By enhancing the use of the surplus working capital, the Group will continue to invest in the Hong Kong equity market, the money lending business, the securities brokerage business and the asset management business to generate better returns for the shareholders of the Company.

BUSINESS REVIEW

Liquefied Natural Gas (LNG)

As of 30 June 2017, the Group has gradually developed and become a market leader of the LNG end-user market. It is committed to driving changes in the domestic energy structure by developing the LNG business in the PRC in response to the PRC government's energy use policy and the 13th Five-year plan. Currently, the Group's LNG operations are mainly concentrated in the "2 + 26" urban area across China which are suffering from serious air and water pollution, including Tianjin, Hebei, Shandong, Anhui, Jiangsu, Henan, Zhejiang, Hubei and the Pearl River Delta region. The Group has since February 2015 concentrated on developing the LNG business in the PRC, which in July 2016 successfully opened up the LNG industrial end-user market with 120 employees, now increased to over 450 employees, serving more than 160 industrial users (in addition, more than 200 industrial users which are construction in progress and contracted customers, while more than 500 projects which are in negotiation) and 114 trade customers, estimating daily sales volume of over 2.1 million cubic meters by the end of 2017 and 3.5 billion cubic meters (2.5 million tons) annual total sales in 2018.

The Group has 30 wholly-owned subsidiaries, 21 non-wholly-owned subsidiaries and 3 associates among 17 cities in the PRC. In this year, the Group has also developed a credit card to heavy vehicles for gas refill at designated LNG refilling stations, a large refilling vehicle fleet for transportation of LNG to the storage stations, plus this is the third year that the Group has been providing finance lease to LNG heavy vehicles/LNG inland river vessels/LNG industrial equipment.

The Group continued to maintain its focus on the development of finance leasing business which is a key to create larger user groups and increase the demand for LNG and the number of LNG refuelling stations across the PRC. The Group has carried out such business pilots in Huanggang, Hubei Province and seized a considerable share of the vehicle and vessel market.

The Group has vigorously developed the sales and distribution business of LNG. It sells LNG to industrial users and those users in its sector through tanker distribution and storage facilities while carrying out point-to-point LNG supply to industrial users.

Based on the principle of being responsible towards customers through the partnership with a large state-owned enterprises who import natural gas from overseas and through exclusive sales of LNG from LNG factories in the Shaanxi Province, the Group has begun arrangement in the upstream market, to guarantee the LNG source of the Group. The Group is negotiating a strategic cooperation framework with a state-owned enterprise covering the whole of the PRC in all of the LNG upstream, mid-stream and down-stream markets. Braced by the reputation of the state-owned enterprise abovementioned and with large scale infrastructure projects agreements already signed by the Group, coupled with the many years support of The National Energy Board and numerous cooperation support of many PRC local government authorities, the Group strives to become a core enterprise in the PRC's LNG market.

Finance leasing

During the Period, the Group entered into finance lease arrangements with logistic and finance leasing companies in the PRC for 129 heavy duty LNG vehicles, including tractors and trailers with the aggregate leasing principal amount of approximately HK$37.4 million.

Since the date of commencement of the business up to 30 June 2017, the accumulated leasing principal amount was approximately HK$510.1 million, of which HK$273.4 million was repaid, in relation to leasing of 2,323 heavy duty LNG vehicles, including tractors and trailers, 7 LNG vessels and 10 sets of LNG storage equipment.

Sales and distribution of LNG

Point-to-point supply of LNG

As of 30 June 2017, the Group had 160 industrial point-to-point supply projects which have been completed and put into operation; more than 200 point-to-point supply projects under construction but contracted for LNG supply; more than 500 point-to-point supply projects for which cooperation relationship was in negotiation.

During the Period, the revenue was adversely affected under the special circumstence such as suspension of production due to the environmental inspection at the commencement of the new projects and transformation of the industrial users, however the Group still recorded point-to-point supply of LNG of a total volume of 24,483,244 cubic metres mainly through LNG tankers. The Group recorded revenue in relation to LNG's point-to-point supply of approximately HK$64.0 million.

Wholesale of LNG

During the Period, the Group recorded wholesale of LNG of a total volume of 60,943,400 cubic metres supplied mainly through LNG tankers. The Group recorded revenue in relation to wholesale of LNG of approximately HK$137.4 million.

Commericial vehicle platform service

As of 30 June 2017, the Group has continued to develop LNG end-user business through online services in the PRC, providing services such as procurement channels and facilities for the end users of LNG vehicles and vessels.

The Group has launched commercial vehicle platform services through the Group's Environmental Green Club ("綠擎匯") including commercial vehicle platform for refueling and China Construction Bank joint credit cards. In Shanghai Area, we have two cooperating LNG refueling stations, with 131 card holders and totally 2,462 kg/month being refueled online. In the second half of 2007, we will continue to promote use of LNG terminals. The number of refueling stations is expected to grow to 20 with 500 members. In addition, we are endeavoring to increase the gas volume refueled through online services to 5 million kilograms.

Trading of securities

The Group continued to conduct 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. During the Period, the stock market in Hong Kong was quite volatile, the Group made its best effort to mitigate the equity risk so as to minimise the fair value loss for the Period.

On 20 June 2017, Key Fit sold a total of 1,116,000,000 shares of Global Strategy 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), at a consideration of HK$145,080,000. The disposal of Sale Shares gave rise to a loss of approximately HK$37.9 million, being the consideration of HK$145,080,000 less the fair value of the Sale Shares amounting to approximately HK$183,024,000 as at 31 December 2016. By comparing with the original cost of HK$39,060,000, the sale shares actually recorded an overall significant gain.

Securities brokerage

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

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

Property investment

As at 30 June 2017, the Group holds two residential properties located in Central Mid-levels (the "Central Property") and Repulse Bay (the "Repulse Bay Property"). The Central Property and the Repulse Bay Property were leased out during the Period at HK$70,000 per month and HK$50,000 per month respectively.

On 7 August 2017, the Group disposed of the entire equity interests of two wholly-owned subsidiaries, ACE Vantage Investments Limited ("ACE") and Smart Look Limited ("SLL"), which is in essence holding the Central Property and Repulse Bay Property, at a total consideration of HK$67,200,000. Subsequent to the disposal, ACE and SLL ceased to be subsidiaries of the Company and the Group no longer carried on the business of properties investment and accordingly properties investment was regarded as a discontinued operation.

Financial service

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

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

As at 30 June 2017, loan receivables derived from the money lending business was approximately HK$171.4 million.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately 1,098.4% or HK$150.1 million from approximately HK$13.7 million for the six months period ended 30 June 2016 to approximately HK$163.8 million for the Period.

Revenue derived from provision of finance leasing services for LNG vehicles, vessels and equipment increased by approximately 16.3% from approximately HK$7.4 million for the six months period ended 30 June 2016 to approximately HK$8.7 million for the Period because of the increase in the number of leases.

Revenue derived from sales and distribution of LNG including point-to-point supply of LNG of approximately HK$64.0 million and wholesale of LNG of approximately HK$137.4 million. No such revenue was recognised for the six months period ended 30 June 2016 as the Group has only commenced the business since the second half of 2016.

Revenue derived from trading of securities were turnaround from a gain of approximately HK$0.4 million for the six months period ended 30 June 2016 to a loss of approximately HK$62.3 million for the Period. The turnaround was attributed to the net effect of a loss on disposal of financial assets at fair value through profit or loss of approximately HK$37.0 million, a loss on disposal of derivative financial instrument of approximately HK$27.9 million, a gain on fair value changes of derivative financial instrument of approximately HK$2.1 million and dividend income from financial assets at fair value through profit or loss of approximately HK$0.5 million.

Revenue derived from provision of securities brokerage, margin financing and securities investment business increased by approximately 343.9% or HK$2.3 million from approximately HK$0.7 million for the six months period ended 30 June 2016 to approximately HK$3.0 million for the Period as the Group has only commenced the business in May 2016.

Revenue derived from properties investment, a discontinued operation, increased by approximately 47.6% or HK$0.2 million from approximately HK$0.4 million for the six months period ended 30 June 2016 to approximately HK$0.6 million for the Period due to the commencement of lease term for Repulse Bay Property since 30 June 2016.

Revenue derived from the financial services through provision of money lending business increased by approximately 130.1% or HK$6.7 million from approximately HK$5.1 million for the six months period ended 30 June 2016 to approximately HK$11.8 million for the Period as the Group has only commenced the business in May 2016.

Other income and gains

Other income and gains decreased by approximately 57.3% or HK$2.1 million from approximately HK$3.6 million for the six months period ended 30 June 2016 to approximately HK$1.5 million for the Period. The decrease was mainly due to an exchange gain of approximately HK$1.0 million for the six months period ended 30 June 2016 but an exchange loss for the Period.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 11.8% or HK$1.1 million from approximately HK$9.6 million for the six months period ended 30 June 2016 to approximately HK$10.7 million for the Period because of the increase in office rental expenses and entertainment expenses for sales staff due to the continuing expansion of the LNG businesses in the PRC for the Period.

Administrative expenses

Administrative expenses increased by approximately 136.1% or HK$28.9 million from approximately HK$21.2 million for the six months period ended 30 June 2016 to approximately HK$50.1 million for the Period because of the significant increase in salaries and employee benefit expenses, office rental expenses and travelling expenses for administrative and managerial staff due to the continuing expansion of LNG businesses in the PRC for the Period.

Share of results of associates

Share of results of associates decreased by approximately 100.3% or HK$33.1 million from a gain of approximately HK$33.0 million for the six months period ended 30 June 2016 to a loss of approximately HK$83,000 for the Period as 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.

Income tax expense

Income tax expense increased by approximately 78.3% or HK$0.5 million from approximately HK$0.7 million for the six months period ended 30 June 2016 to approximately HK$1.2 million for the Period. The increase was mainly attributed to the increase in taxable income from money lending business.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had total cash and bank balances of approximately HK$655.9 million as at 30 June 2017 (31 December 2016: approximately HK$662.5 million). There was no borrowing as at 30 June 2017 and 31 December 2016, no gearing ratio of the Group as at 30 June 2017 and 31 December 2016 was calculated. Net assets were approximately HK$1,280.8 million as at 30 June 2017 (31 December 2016: approximately HK$1,382.3 million).

The Group recorded total current assets value of approximately HK$1,285.0 million as at 30 June 2017 (31 December 2016: approximately HK$1,353.4 million) and total current liabilities value of approximately HK$323.4 million as at 30 June 2017 (31 December 2016: approximately HK$244.7 million). The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was approximately 4.0 as at 30 June 2017 (31 December 2016: approximately 5.5). 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 credit lines from large PRC commercial banks 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.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend (2016: Nil) for the Period.

RISK MANAGEMENT

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

Foreign currency

Transactions of the Group were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the Period. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the six months period ended 30 June 2017 and 2016, 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, provision of LNG logistic services, sales of LNG vehicles, providing securities brokerage, margin financing and securities investment 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 a 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 other financial assets of our Group as at 30 June 2017.

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

At 30 June 2017, restricted cash of (i) HK$23,666,000 (31 December 2016: Nil) denominated in Hong Kong dollar represented a margin deposit pledged to a bank to secure the Group's derivative financial instrument; and (ii) HK$9,343,000 (31 December 2016: Nil) denominated in Renminbi represented bank deposits secured for notes payable.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

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 Fengyang Zhonghao New Energy Investment Co., Limited* (鳳陽中昊新能源投資有限公司) ("Fengyang Zhonghao") entered into the share transfer agreement, pursuant to which CLNG Investment has conditionally agreed to purchase and Fengyang Zhonghao has conditionally agreed to sell 40% equity interests in CNOOC (Bengbu) Traffic New Energy Co., Limited* (中海油蚌埠交通新能源有限公司) ("CNOOC Bengbu"), which is principally engaged in the sales and distribution of LNG diesel and oil products, at a consideration of RMB3,600,000. Completion of the share transfer took place on 25 January 2017, CLNG Investment holds 40% of the issued registered capital of CNOOC Bengbu and CNOOC Bengbu has become an associate of the Company.

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 Clean Energy Co., Ltd.*(深圳市深燃晟世清潔能源有限公司) ("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. Shenzhen Gas Shengshi is principally engaged in investment in gasoline stations and LNG stations in the PRC. Completion of the capital injection and share transfer took place on 24 June 2017, CLNG Shenzhen holds 25% of the enlarged issued registered capital of Shenzhen Gas Shengshi and Shenzhen Gas Shengshi has become an associate of the Company.

On 3 January 2017, CLNG Shandong Energy Co., Ltd.* (山東港能能源有限公司) ("CLNG Shandong"), a wholly-owned subsidiary of the Company, entered into the transfer agreement with independent third parties, pursuant to which CLNG Shandong has conditionally agreed to purchase 60% 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) ("Shangdong Aohai"), which is principally engaged in trading of LNG and investment, development, management and operation of LNG equipments in the PRC, at a consideration of HK$1,000. Completion of the share transfer took place on 9 January 2017, CLNG Shandong holds 60% of the issued registered capital of Shangdong Aohai and Shangdong Aohai has become a subsidiary of the Company.

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

SEGMENTAL INFORMATION

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

CAPITAL COMMITMENT

As of 30 June 2017, the total capital commitments by the Group amounted to approximately HK$3.6 billion (31 December 2016: HK$ 3.5 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 subsidiaries.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2017.

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 30 June 2017, the Group had 488 employees (31 December 2016: 222 employees), of whom 240 were administrative staff and operating staff; 81 were marketing staff; 79 were LNG truck driver; 56 were managerial staff and the remaining 32 were technical staff. The Group's total staff costs amounted to approximately HK$33.7 million (For the six months ended 30 June 2016: approximately HK$16.4 million) for the Period. The Group offers competitive remuneration packages to our employees. The Group remunerated its employees mainly based on the industry practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual's performance.

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

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

OTHER MATTERS

Change of Auditor

Due to the reorganisation of PKF Hong Kong (大信梁學濂 (香港) 會計師事務所) to PKF Hong Kong Limited (大信梁學濂 (香港) 會計師事務所有限公司), PKF Hong Kong retired as auditor of the Company with effect from the conclusion of the 2016 annual general meeting of the Company. At the annual general meeting held on 2 June 2017, the Company appointed PKF Hong Kong Limited as the auditor of the Company for the year 2017.

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

As at 30 June 2017, 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	39,292,728,590 Shares	69.68%
("Mr. Kan")	The Company	Beneficial owner	Short position	475,000,000 Shares	0.84%
Mr. Li Kai Yien, Arthur Albert	The Company	Beneficial owner	Long position	2,000,000 Shares	0.004%
Mr. Chen Li Bo ("Mr. Chen")	The Company	Beneficial owner	Long position	200,000,000 Shares (Note)	0.35%

Note:–

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

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2017.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, so far as was known to the Directors and chief executives of the Company, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 June 2017.

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 controls. The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2017.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Au Yeung Po Fung and Mr. Lam Lum Lee.

CORPORATE GOVERNANCE CODE

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

1. Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate. The positions of chairman and chief executive officer of the Company have been held by Mr. Kan during the Period. The Board believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. The Board has full confidence in Mr. Kan and believes that his dual roles will be beneficial to the Group.

2. Under the Code Provisions A.4.1 and A.4.2, non-executive Director should be appointed for a specific term and each Director should be subject to retirement by rotation at least once every three years. The existing independent non-executive Directors and non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association (the "Articles of Association") of the Company at least once every three years.

3. Under the Code Provision A.6.7, non-executive directors, including independent non-executive directors, should attend board, committee and general meetings. Two of the non-executive directors, Mr. Simon Murray and Dr. Lam, Lee G. and one independent non-executive directors, Mr. Au Yeung Po Fung, were unable to attend the annual general meetings held on 2 June 2017, as they had other business engagements. However, they subsequently requested the company secretary of the Company to report to them on the views of the Shareholders in the general meetings. As such, the Board considers that the development of a balanced understanding of the views of Shareholders among the non-executive Directors and independent non-executive Directors was ensured.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the six months ended 30 June 2017.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Kan Che Kin, Billy Albert, Mr. Chen Li Bo and Mr. Li Kai Yien, Arthur Albert, all being the executive Directors, Mr. Simon Murray and Dr. Lam, Lee G., all being the non-executive Directors and Mr. Li Siu Yui, Mr. Au Yeung Po Fung and Mr. Lam Lum Lee, all being the independent non-executive Directors.

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

Hong Kong, 30 August 2017