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)

SECOND INTERIM REPORT
2018

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

Independent Non-Executive Directors
Mr. Li Siu Yui
Mr. Lam Lum Lee
Mr. Au Yeung Po Fung

AUDIT COMMITTEE
Mr. Li Siu Yui *(Chairman)*
Mr. Lam Lum Lee
Mr. Au Yeung Po Fung

REMUNERATION COMMITTEE
Mr. Li Siu Yui *(Chairman)*
Dr. Kan Che Kin, Billy Albert
Mr. Au Yeung Po Fung

NOMINATION COMMITTEE
Mr. Li Siu Yui *(Chairman)*
Dr. Kan Che Kin, Billy Albert
Mr. Au Yeung Po Fung

COMPANY SECRETARY
Mr. Lam Yu Yeung
(appointed on 28 February 2019)

INDEPENDENT AUDITORS
Ernst & Young

AUTHORISED REPRESENTATIVES
Dr. Kan Chi Kin, Billy Albert
(appointed on 9 April 2018)
Mr. Li Kai Yien, Arthur Albert
(appointed on 24 December 2018)

PRINCIPAL BANKERS
Hang Seng Bank Limited
China Construction Bank (Asia)

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
8/F, St. John's Building
33 Garden Road
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR
SMP Partners (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR
Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE
chinalng.todayir.com

STOCK CODE
931

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the twelve months ended 31 December 2018

	Notes	**Twelve months ended 31 December** **2018** **(Unaudited)** ***HK$'000***	2017 (Audited) *HK$'000*
Continuing operations			
Revenue	*4*	**1,841,944**	896,952
Cost of sales		**(1,815,855)**	(899,294)
Gross profit/(loss)		**26,089**	(2,342)
Other income and gains		**7,732**	6,448
Share of results of associates		**(460)**	(1,581)
Selling and distribution expenses		**(29,839)**	(26,089)
Administrative expenses		**(144,531)**	(111,827)
Finance costs	*6(a)*	**(20,148)**	(284)
Loss before taxation	*6*	**(161,157)**	(135,675)
Taxation	*7*	**76,047**	(16,935)
Loss for the period from continuing operations		**(85,110)**	(152,610)
Discontinued operation			
Profit for the period from the discontinued operation	*8*	**—**	543
Loss for the period		**(85,110)**	(152,067)
Attributable to:–			
Equity shareholders of the Company		**(94,236)**	(123,729)
Non-controlling interests		**9,126**	(28,338)
Loss for the period		**(85,110)**	(152,067)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the twelve months ended 31 December 2018

		Twelve months ended 31 December	
		2018	2017
		(Unaudited)	(Audited)
	Notes	***HK$'000***	*HK$'000*
(Loss)/earnings per share (HK cents)	*10*		
From continuing and discontinued operations			
– Basic		**(1.672)**	(2.195)
– Diluted		**(1.672)**	(2.195)
From continuing operations			
– Basic		**(1.672)**	(2.205)
– Diluted		**(1.672)**	(2.205)
From discontinued operation			
– Basic		**—**	0.010
– Diluted		**—**	0.010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the twelve months ended 31 December 2018

	Twelve months ended 31 December	
	2018	2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Loss for the period	**(85,110)**	(152,067)
Other comprehensive (loss)/income for the period, net of tax:–		
Items that may be subsequently reclassified to profit or loss:–		
Exchange differences on translating foreign operations	**(71,561)**	48,353
Total comprehensive loss for the period	**(156,671)**	(103,714)
Total comprehensive loss for the period attributable to:–		
Equity shareholders of the Company	**(146,289)**	(63,584)
Non-controlling interests	**(10,382)**	(40,130)
	(156,671)	(103,714)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018 (Unaudited) HK$'000**	2017 (Audited) HK$'000
Non-current assets			
Plant and equipment	11	**708,617**	261,086
Land use rights		**36,975**	—
Goodwill		**12,354**	9,161
Other intangible assets		**2,360**	2,794
Interest in associates		**19,940**	13,676
Deposits for acquisition of plant and equipment		**112,753**	63,344
Receivables under LNG finance lease arrangements	13	**10,584**	31,262
LNG finance lease receivables	14	**509**	25,082
Statutory deposits		**250**	250
Deferred tax assets		**78,461**	—
		982,803	406,655
Current assets			
Inventories		**34,041**	34,615
Receivables under LNG finance lease arrangements	13	**31,131**	53,046
LNG finance lease receivables	14	**36,366**	68,288
Loan receivables	15	**181,438**	168,774
Accounts and other receivables	16	**446,507**	429,498
Land use rights		**823**	—
Financial assets at fair value through profit or loss	12	**—**	18,911
Bank balances and cash		**330,160**	408,373
		1,060,466	1,181,505
Current liabilities			
Accounts and other payables	18	**794,544**	338,555
Bank borrowings	19	**34,158**	—
Obligations under finance lease	20	**7,752**	—
Income tax payable		**2,922**	5,191
		839,376	343,746

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 (Unaudited) HK$'000	2017 (Audited) HK$'000
Net current assets		**221,090**	837,759
Non-current liabilities			
Obligations under finance lease	*20*	**6,946**	—
Net assets		**1,196,947**	1,244,414
Capital and reserves			
Share capital		**112,876**	112,322
Reserves		**519,654**	649,816
Equity attributable to equity shareholders of the Company		**632,530**	762,138
Non-controlling interests		**564,417**	482,276
Total equity		**1,196,947**	1,244,414

The notes on pages 10 to 47 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 31 December 2018

	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 2017 (Audited)	112,774	428,029	9,370	(53,514)	357,382	854,041	528,237	1,382,278
Shares repurchased and cancelled (note 21(a))	(452)	(26,750)	–	–	–	(27,202)	–	(27,202)
Non-controlling interest arising from business combination	–	–	–	–	–	–	3,110	3,110
Acquisition of additional interest in a subsidiary	–	–	–	–	(237)	(237)	237	–
Change in ownership interest in subsidiaries without loss of control	–	–	–	–	(880)	(880)	880	–
Dividend paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	(26,043)	(26,043)
Capital contribution from non-controlling interest	–	–	–	–	–	–	15,985	15,985
Loss for the year	–	–	–	–	(123,729)	(123,729)	(28,338)	(152,067)
Other comprehensive income/(loss) for the year, net of tax:–								
Exchange differences on translating foreign operations	–	–	–	60,145	–	60,145	(11,792)	48,353
Total comprehensive loss for the year	–	–	–	60,145	(123,729)	(63,584)	(40,130)	(103,714)
At 31 December 2017 and 1 January 2018 (Audited)	**112,322**	**401,279**	**9,370**	**6,631**	**232,536**	**762,138**	**482,276**	**1,244,414**
Acquisition of additional interests in subsidiaries	**–**	**–**	**–**	**–**	**(20,604)**	**(20,604)**	**(1,337)**	**(21,941)**
Release upon disposal of a subsidiary (note 26)	**–**	**–**	**–**	**3,625**	**–**	**3,625**	**(39,953)**	**(36,328)**
Capital contribution from non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**133,813**	**133,813**
Conversion of convertible notes (note 22)	**554**	**33,106**	**–**	**–**	**–**	**33,660**	**–**	**33,660**
(Loss)/profit for the period	**–**	**–**	**–**	**–**	**(94,236)**	**(94,236)**	**9,126**	**(85,110)**
Other comprehensive loss for the period, net of tax:–								
Exchange differences on translating foreign operations	**–**	**–**	**–**	**(52,053)**	**–**	**(52,053)**	**(19,508)**	**(71,561)**
Total comprehensive loss for the period	**–**	**–**	**–**	**(52,053)**	**(94,236)**	**(146,289)**	**(10,382)**	**(156,671)**
At 31 December 2018 (Unaudited)	**112,876**	**434,385**	**9,370**	**(41,797)**	**117,696**	**632,530**	**564,417**	**1,196,947**

The notes on pages 10 to 47 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months ended 31 December 2018

	twelve months ended 31 December	
	2018	2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
NET CASH USED IN OPERATING ACTIVITIES	**(186,186)**	(17,125)
NET CASH USED IN INVESTING ACTIVITIES	**(603,301)**	(199,497)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**726,146**	(45,275)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(63,341)**	(261,897)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	**(14,872)**	7,779
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**408,373**	662,491
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BALANCES AND CASH	**330,160**	408,373

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 (i) in the People's Republic of China (the "PRC"), 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 as approved by Ministry of Foreign Trade and Economic Cooperation; and (ii) in Hong Kong, trading of securities, provision of securities brokerage, bond placing, margin financing and securities investments and financial services through provision of money lending business. The Group's properties investment business was regarded as a discontinued operation in the preparation of the Group's audited consolidated financial statements for the twelve months ended 31 December 2017.

2. BASIS OF PREPARATION

Pursuant to a resolution of the Board dated 4 December 2018, the Company's financial year end date has been changed from 31 December to 31 March commencing from financial year of 2018/2019. Accordingly, the current financial year will cover a period of fifteen months from 1 January 2018 to 31 March 2019. These unaudited second interim consolidated financial statements now presented cover a period of twelve months from 1 January to 31 December 2018. The comparative figures presented for the unaudited consolidated statement of profit or loss, unaudited consolidated statement of comprehensive income, and related notes cover the audited figures of the financial year from 1 January 2017 to 31 December 2017.

2. BASIS OF PREPARATION *(continued)*

The second interim financial report has 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 disclosures required by the Rules (the "Listing Rules") governing the Listing of Securities on the Stock Exchange.

This second interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group's financial statements for the year ended 31 December 2017. These condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all HKFRSs, HKASs and Interpretations).

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 2017, except for HKFRSs applicable to the annual period beginning on 1 January 2018. Details of these significant accounting policies change are set out in note 3.

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

Land use rights represent up-front payments to acquire the land use rights. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the terms of the leases.

The Group had not applied the HKFRSs 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 HKFRSs will have no material impact on the results and the financial position of the Group.

3. ADOPTION OF NEW HKFRSs AND AMENDMENTS TO HKFRSs

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers

Under the transition methods chosen, there is no significant cumulative effect of the initial application of HKFRS 9 and HKFRS 15 recognised by the Group as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

(b) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement* and sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has initially adopted HKFRS 9 *Financial instruments* from 1 January 2018. The retrospective application of the new standards in accordance with the transition requirement does not have significant cumulative effect on balances as at 1 January 2018.

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

3. ADOPTION OF NEW HKFRSs AND AMENDMENTS TO HKFRSs *(continued)*

(b) HKFRS 9, Financial instruments *(continued)*

(i) Classification of financial assets and financial liabilities (continued)

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

— FVOCI (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

— FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

3. ADOPTION OF NEW HKFRSs AND AMENDMENTS TO HKFRSs *(continued)*

(b) HKFRS 9, Financial instruments *(continued)*

(i) Classification of financial assets and financial liabilities *(continued)*

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

There is no reclassification or remeasurement of the financial assets, including bank balances and cash, receivables under LNG finance lease arrangements, LNG finance lease receivables, loan receivables and accounts and other receivables, from the adoption of HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

3. ADOPTION OF NEW HKFRSs AND AMENDMENTS TO HKFRSs *(continued)*

(b) HKFRS 9, Financial instruments *(continued)*

(i) Classification of financial assets and financial liabilities (continued)

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including bank balances and cash, receivables under LNG finance lease arrangements, LNG finance lease receivables, loan receivables and accounts and other receivables).

Impairment of financial assets

The Group recognises loss allowances for ECL on the financial instruments that are not measured at fair value through profit or loss. The Group considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Group considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfill its contractual cash flow obligations.

3. ADOPTION OF NEW HKFRSs AND AMENDMENTS TO HKFRSs *(continued)*

(b) HKFRS 9, Financial instruments *(continued)*

(ii) Credit losses *(continued)*

Impairment of financial assets (continued)

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognised in profit or loss. The receivable is written off against the receivable impairment charges account when the Group has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of ECLs decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognised in profit or loss.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated.

— The assessments have been made on the basis of the facts and circumstances that exist at 1 January 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL is recognised for that financial instrument.

3. ADOPTION OF NEW HKFRSs AND AMENDMENTS TO HKFRSs *(continued)*

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a five-step model comprehensive framework for recognising revenue from contracts with customer: (i) identify the contract; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. HKFRS 15 replaced HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and related interpretations.

Under HKFRS 15, the Group's revenue from sales and distribution of LNG, which includes wholesale of LNG and point-to-point supply of LNG, is recognised when control of the goods has been transferred, being when the goods have been delivered to the customer's specific location. A receivable is recognised by the Group when the goods are delivered and titles have passed to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration from the customer.

In respect of other services, given the short period of time to complete the services, the Group continues to recognise revenue from other services when the services have been rendered upon adoption of HKFRS 15.

The Group has concluded that the initial application of HKFRS 15 does not have a significant impact on the timing of revenue recognition.

The Group has been impacted by HKFRS 15 in relation to the presentation of contract liabilities. The initial application of HKFRS 15 recognised the opening balance of contract liabilities of approximately HK$80,201,000 at 1 January 2018. Comparative information is not restated.

4. REVENUE FROM CONTINUING OPERATIONS

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, bond placing, 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:–

	Twelve months ended 31 December 2018 (Unaudited)	Year ended 31 December 2017 (Audited)
	HK$'000	*HK$'000*
Sales and distribution of LNG	**1,775,644**	922,278
Sales of LNG vehicles	**—**	4,101
Provision of LNG logistic services	**17,024**	3,031
Interest income from LNG finance lease arrangements	**4,755**	7,587
LNG finance leases interest income	**4,776**	7,263
Service fee income from leasing of LNG vehicles	**545**	680
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	**—**	(36,963)
Loss on disposal of derivative financial instrument	**—**	(41,057)
Interest income from loan financing	**23,897**	23,163
Interest income from securities margin financing	**5,761**	4,396
Services fee income	**186**	691
Brokerage income	**856**	1,320
Bond placing commission income	**8,500**	—
	1,841,944	896,952

5. SEGMENT INFORMATION

The Group determines its operating segments based on the Directors' decisions. For management purposes, the Group is organised into eight (twelve months ended 31 December 2017: eight) continuing operating divisions, which are the basis on which the Group reports its segment information.

The Group's principal activities are as follows:

(1) Sales and distribution of LNG including wholesale of LNG and point-to-point supply of LNG;

(2) Provision of LNG logistic services;

(3) Financial provision through finance leasing services for LNG vehicles, vessels and equipment;

(4) 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 specifically designed refuelling facilities for equipment;

(5) 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;

(6) Trading of securities;

(7) Provision of securities brokerage, bond placing, margin financing and securities investments in Hong Kong; and

(8) 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 8.

5. 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.

5. SEGMENT INFORMATION *(continued)*

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

	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		Provision of commercial vehicle platform services		Trading of securities		Provision of securities brokerage, bond placing, margin financing and securities investments		Financial services through provision of money lending business		Consolidated for continuing operations	
	Twelve months ended 31 December 2018 HK$'000	Year ended 31 December 2017 HK$'000	**Twelve months ended 31 December 2018 HK$'000**	Year ended 31 December 2017 HK$'000	**Twelve months ended 31 December 2018 HK$'000**	Year ended 31 December 2017 HK$'000	**Twelve months ended 31 December 2018 HK$'000**	Year ended 31 December 2017 HK$'000	**Twelve months ended 31 December 2018 HK$'000**	Year ended 31 December 2017 HK$'000	**Twelve months ended 31 December 2018 HK$'000**	Year ended 31 December 2017 HK$'000	**Twelve months ended 31 December 2018 HK$'000**	Year ended 31 December 2017 HK$'000	**Twelve months ended 31 December 2018 HK$'000**	Year ended 31 December 2017 HK$'000	**Twelve months ended 31 December 2018 HK$'000**	Year ended 31 December 2017 HK$'000
REVENUE																		
External	**1,775,644**	922,278	**17,024**	3,031	**10,076**	15,530	**0**	505	**0**	4,101	**0**	(77,558)	**15,303**	5,902	**23,897**	23,163	**1,841,944**	896,952
RESULTS																		
Segment results	**(56,797)**	(9,001)	**(71,931)**	(8,723)	**(5,152)**	(3,752)	**(929)**	(8,077)	**(1,758)**	(4,195)	**(8,473)**	(87,984)	**4,642**	(2,629)	**23,881**	23,089	**(116,517)**	(101,272)
Other income and gains																	**2,819**	2,332
Finance costs																	**(20,148)**	(284)
Share of results of associates																	**(460)**	(1,581)
Unallocated corporate expenses																	**(26,851)**	(34,870)
Loss before taxation																	**(161,157)**	(135,675)
Taxation																	**76,047**	(16,935)
Loss for the period																	**(85,110)**	(152,610)

6. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

	Twelve months ended 31 December 2018 (Unaudited) *HK$'000*	Year ended 31 December 2017 (Audited) *HK$'000*
Loss before taxation has been arrived at after charging/(crediting):–		
(a) Finance costs		
Interest expense on loans from a shareholder	**14,120**	284
Interest expense on convertible notes	**2,190**	—
Interest on bank loans	**230**	—
Interest expense on loan from a third party	**2,462**	—
Others	**1,146**	—
	20,148	284
(b) Other items		
Amortisation of land use rights	**154**	—
Amortisation of other intangible assets	**303**	259
Depreciation of plant and equipment	**46,413**	14,842
Loss/(gain) on disposal of plant and equipment	**240**	(224)
Staff costs:–		
Directors' remuneration	**1,590**	1,710
Staff cost excluding directors' remuneration	**113,359**	57,029
Retirement benefits scheme contribution, excluding those included in directors' remuneration	**14,700**	12,860
Total staff costs	**129,649**	71,599
Gain on disposal of a subsidiary	**(3,578)**	(514)

7. TAXATION FROM CONTINUING OPERATIONS

	Twelve months ended 31 December 2018 (Unaudited) HK$'000	Year ended 31 December 2017 (Audited) HK$'000
Hong Kong Profits Tax	**3,778**	13,039
PRC Enterprise Income Tax	**6,673**	3,896
	10,451	16,935
Deferred tax (credit)/charge	**(86,498)**	—
	(76,047)	16,935

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 twelve months ended 31 December 2018 and year ended 31 December 2017.

During the twelve months ended 31 December 2018, the Group has recognised approximately HK$86,498,000 deferred tax assets, to the extent that it was probable that the deferred tax assets would crystallise in the foreseeable future. The Group's deferred tax assets principally arose from tax losses carried forward by certain subsidiaries.

8. DISCONTINUED OPERATION

On 1 June 2017 and 5 June 2017, the Group and Dr. Kan Chi Kin, Billy Albert ("Dr. Kan"), an executive Director and the chairman of the Company, entered into provisional agreements and a supplemental agreement respectively, pursuant to which Dr. 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.

8. DISCONTINUED OPERATION *(continued)*

The results from the discontinued operation are as follows: –

	Twelve months ended 31 December 2018 (Unaudited) ***HK$'000***	Year ended 31 December 2017 (Audited) *HK$'000*
Revenue	—	720
Administrative expenses	—	(177)
Profit before taxation and profit for the period from the discontinued operation	—	543
Profit for the period from the discontinued operation attributable to equity shareholders of the Company	—	543
Profit for the period from discontinued operation includes the following:		
Rental income	—	720
Depreciation	—	62

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the twelve months ended 31 December 2018 and final dividend for the year ended 31 December 2017.

10. (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") 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. These calculations of weighted average number of Shares assume the Share Consolidation was conducted at the beginning of the period on 1 January 2017.

The calculation of diluted loss per Share does not assume the conversion of outstanding convertible notes during the current period which had anti-dilutive effect and would result in a reduction in loss per Share. There was no dilutive instrument at the end of the current period and during the preceding period. Therefore, the diluted loss per Share is same as basic loss per Share during the current and preceding periods.

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

	Twelve months ended 31 December 2018 (Unaudited) *HK$'000*	Year ended 31 December 2017 (Audited) *HK$'000*
(Loss)/profit for the period attributable to equity shareholders of the Company		
From continuing operations	**(94,236)**	(124,272)
From discontinuing operation	**—**	543
	(94,236)	(123,729)

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

	Twelve months ended 31 December 2018 (Unaudited)	Year ended 31 December 2017 (Audited)
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	**5,616,123,090**	5,638,707,091
Effect of the conversion of convertible notes	**19,816,027**	—
Shares repurchased and cancelled in 2017	**—**	(2,066,762)
Adjusted weighted average number of ordinary shares in issue for the purpose of calculation of both basic and diluted (loss)/earnings per Share	**5,635,939,117**	5,636,640,329

11. PLANT AND EQUIPMENT

	31 December 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
At beginning of the period/year	**261,086**	34,930
Additions	**528,887**	227,465
Business combination	**—**	5,440
Disposal of a subsidiary (note 26)	**(1,867)**	(21)
Depreciation	**(46,413)**	(14,842)
Disposals	**(1,256)**	(823)
Exchange adjustments	**(31,820)**	8,937
At end of the period/year	**708,617**	261,086

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Short-term unlisted investment	—	18,911

At 31 December 2017, the Group had an unlisted investment of approximately HK$18,911,000 (equivalent to RMB15,750,000) offered by Zhonghai Trust Co., Limited ("Zhonghai Trust") in the PRC. The investment carried interest at expected maximum interest rate of 5% per annum, depending on the market price of the underlying money market instruments and debt instruments invested by Zhonghai Trust, payable on redemption. The product was non-principal guaranteed. The Group has the right to redeem the investment on or before 20 December 2022 and receives the redemption price based on the rate of return as announced by Zhonghai Trust when redeemed. The Group has redeemed the investment during the twelve months ended 31 December 2018.

13. 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:–

	31 December 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Within one year	**31,131**	53,046
In the second to fifth years, inclusive	**10,584**	31,262
	41,715	84,308

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 2 years to 5 years (31 December 2017: 1.5 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 31 December 2018, the effective interest rates applicable to the finance lease arrangements ranged from approximately 7.74% to 12.68% per annum (31 December 2017: 7.74% to 13.78%).

13. 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:–

	31 December 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Neither past due nor impaired	**11,439**	79,271
Past due but not impaired:–		
Within 3 months	**1,081**	2,056
4 to 6 months	**3,750**	1,460
7 to 9 months	**3,105**	1,225
10 to 12 months	**—**	150
Over 1 year	**22,340**	146
	41,715	84,308

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 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.

14. LNG FINANCE LEASE RECEIVABLES

	Minimum lease payments 31 December 2018 (Unaudited) *HK$'000*	Minimum lease payments 31 December 2017 (Audited) *HK$'000*	Present value of minimum lease payments 31 December 2018 (Unaudited) *HK$'000*	Present value of minimum lease payments 31 December 2017 (Audited) *HK$'000*
Within one year	**51,953**	79,522	**36,366**	68,288
In the second to fifth years, inclusive	**744**	29,229	**509**	25,082
	52,697	108,751	**36,875**	93,370
Less: Unearned finance income	**(15,822)**	(15,381)		
Present value of minimum lease payment receivables	**36,875**	93,370		
Less: Amount receivables within 12 months (shown under current assets)			**(36,366)**	(68,288)
Amount receivables after 12 months			**509**	25,082

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 the assets to the lessees with lease period ranging from 2 years to 5 years (31 December 2017: 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.

14. LNG FINANCE LEASE RECEIVABLES *(continued)*

At 31 December 2018, the effective interest rates applicable to the finance lease ranged from approximately 7.24% to 12.82% per annum (31 December 2017: 7.24% to 12.82%).

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

	31 December 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Neither past due nor impaired	**8,848**	76,131
Past due but not impaired:–		
Within 3 months	**9,696**	4,787
4 to 6 months	**—**	3,905
7 to 9 months	**—**	3,160
10 to 12 months	**—**	778
Over 1 year	**18,331**	4,609
	36,875	93,370

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.

15. LOAN RECEIVABLES

	31 December 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Loan receivables	**181,438**	168,774

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 2017: 12% 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:–

	31 December 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Neither past due nor impaired	**1,778**	142,617
Past due but not impaired:–		
Less than 1 month	**2,285**	1,848
Less than 3 months but over 1 month	**3,337**	2,494
Over 3 months	**174,038**	21,815
	181,438	168,774

15. 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.

16. ACCOUNTS AND OTHER RECEIVABLES

	31 December 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Accounts receivables arising from dealing in securities (note 16(a)):–		
Cash clients	**318**	554
Margin clients	**73,296**	43,195
Hong Kong Securities Clearing Company Limited	**—**	447
Accounts receivables arising from LNG businesses (note 16(b))	**98,935**	72,514
Total accounts receivables	**172,549**	116,710
Prepayments, deposits and other receivables	**188,086**	208,733
Loan to a third party (note 16(c))	**1,833**	1,983
Amounts due from non-controlling shareholders of subsidiaries (note 16(d))	**—**	73,543
Value-added tax recoverable	**84,039**	28,529
Total accounts and other receivables	**446,507**	429,498

16. 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 31 December 2018, the accounts receivables from margin clients were repayable on demand, interest-bearing at rate of 9.25% (31 December 2017: 9.25%) per annum and secured by clients' securities that are listed on the Stock Exchange with a total market value of approximately HK$75,083,000 (31 December 2017: HK$52,342,000).

The accounts receivables arising from dealing in securities at 31 December 2018 and 31 December 2017 were not past due nor impaired. No detailed aged analysis is disclosed as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of securities dealing business.

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

	31 December 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Within 3 months	**78,463**	61,839
4 to 6 months	**8,286**	10,675
Over 6 months	**12,186**	—
	98,935	72,514

The following is an aged analysis of accounts receivables arising from LNG businesses which are past due but not impaired. The average credit period is 30 to 90 days.

	31 December 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Past due but not impaired:-		
Within 3 months	**9,025**	26,385
4 to 6 months	**9,453**	8,045
Over 6 months	**2,733**	–
	21,211	34,430

16. ACCOUNTS AND OTHER RECEIVABLES *(continued)*

(c) At 31 December 2018, the loan was unsecured, interest-bearing at 8% per annum and repayable within one year. At 31 December 2017, the loan was unsecured, interest-bearing at 8% per annum and repayable on demand.

(d) The balances were fully recovered during the twelve months ended 31 December 2018. At 31 December 2017, the balances represented capital commitment of HK$10,434,000 payable by non-controlling shareholders and advances of HK$63,109,000 to non-controlling shareholders of certain subsidiaries of the Group. The balances were unsecured, interest-free and repayable on demand.

17. BANK BALANCES AND CASH

	31 December 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Cash at banks:–		
General accounts	**311,239**	363,581
Client accounts	**18,918**	44,211
Cash in hand	**3**	581
	330,160	408,373

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.

18. ACCOUNTS AND OTHER PAYABLES

	31 December 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Accounts payables arising from dealing in securities (note 18(a)):–		
Cash clients (note 18(b))	6,908	41,946
Margin clients (note 18(c))	10,878	2,702
Hong Kong Securities Clearing Company Limited	1,071	—
Accounts payables arising from LNG businesses (note 18(d))	70,734	68,510
Total accounts payables	89,591	113,158
Accrued charges and other payables	55,820	115,860
Contract liabilities	75,483	—
Guaranteed deposits on LNG finance leases and finance leases arrangements	16,943	19,270
Loans from a shareholder (note 18(e))	507,540	30,284
Loan from a third party (note 18(f))	45,544	—
Amounts due to non-controlling shareholders of subsidiaries (note 18(g))	3,623	59,983
Total accounts and other payables	794,544	338,555

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$17,786,000 (31 December 2017: HK$44,211,000) 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 dollar.

18. ACCOUNTS AND OTHER PAYABLES *(continued)*

(b) The accounts payables included HK$nil (31 December 2017: HK$29,024,000) which was deposited by Dr. Kan.

(c) The accounts payables included HK$nil (31 December 2017: HK$2,133,000) which was deposited by a related company in which Dr. Kan has controlling interest.

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

	31 December 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Within three months	**33,613**	57,655
4 to 6 months	**6,419**	10,855
Over 6 months	**30,702**	—
	70,734	68,510

The average credit period on purchases of LNG is 30 to 90 days.

(e) The unsecured loans from a shareholder, Dr. Kan comprised of (i) approximately HK$470,553,000 is interest-bearing at 5% and repayable on demand; and (ii) approximately HK$22,713,000 is interest-bearing at 8% and repayable on demand.

(f) The loan is unsecured, repayable within one year and interest-bearing at 8% per annum.

(g) The balances represented advances from non-controlling shareholders of certain subsidiaries of the Group. The balances were unsecured, interest-free and repayable on demand.

19. BANK BORROWINGS

	31 December 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Bank borrowings	**34,158**	—

The bank borrowings bear interest at range of Loan Prime Rate +0.04% and People's Bank of China benchmark interest rate +60% per annum at 31 December 2018 (31 December 2017: Nil).

20. OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2018, the Group had obligations under finance leases repayable as follows:

	31 December 2018 (Unaudited)		31 December 2017 (Audited)	
	Present value of the minimum lease payments *HK$'000*	**Total minimum lease payments *HK$'000***	Present value of the minimum lease payments *HK$'000*	Total minimum lease payments *HK$'000*
Within 1 year	**7,752**	**8,939**	—	—
In the second to fifth years, inclusive	**6,946**	**7,287**	—	—
	14,698	**16,226**	—	—
Less: total future interest expenses		**(1,528)**		—
Present value of lease obligations		**14,698**		—

21. SHARE CAPITAL

	31 December 2018		31 December 2017	
	Number of shares	**Amount *HK$'000***	Number of shares	Amount *HK$'000*
Shares of HK$0.02 each	**20,000,000,000**	**400,000**	200,000,000,000	400,000
Authorised:–				
At beginning of the period/year				
Share Consolidation (note 21(a))	**—**	**—**	(180,000,000,000)	—
At end of the period/year	**20,000,000,000**	**400,000**	20,000,000,000	400,000
Issued and fully paid:–				
At beginning of the period/year	**5,616,123,090**	**112,322**	56,387,070,908	112,774
Share Consolidation (note 21(a))	**—**	**—**	(50,748,363,818)	—
Share repurchased and cancelled (note 21(b))	**—**	**—**	(22,584,000)	(452)
Conversion of convertible notes (note 21(c))	**27,674,000**	**554**	—	—
At end of the period/year	**5,643,797,090**	**112,876**	5,616,123,090	112,322

21. SHARE CAPITAL *(continued)*

Notes:–

(a) Pursuant to the extraordinary general meeting passed on 10 August 2017, Share Consolidation whereby every ten of the issued and unissued ordinary share with a par value of HK$0.002 each in the share capital of the Company be consolidated into 1 ordinary share with a par value of HK$0.02 each ("Consolidated Share(s)"), such that the authorised share capital of the Company becomes HK$400,000,000 divided into 20,000,000,000 Consolidated Shares of par value of HK$0.02 each. The Consolidation Shares rank pari passu in all respects with each other in accordance with the Memorandum and Articles of Association of the Company.

(b) During the year ended 31 December 2017, the Company repurchased a total of 22,584,000 of its own shares through purchases on the Stock Exchange. The difference between total consideration paid of HK$27,202,000 to repurchase these shares and the aggregate nominal value of these shares was charged against share premium.

(c) During the twelve months ended 31 December 2018, the holder of convertible notes had exercised the conversion option twice to convert the aggregate principal amount of HK$34,000,000 in consideration for conversion of 27,674,000 ordinary shares of the Company in total at conversion prices of HK$1.21258 and HK$1.2523 per conversion share (note 22).

22. CONVERTIBLE NOTES

On 29 January 2018 and 12 February 2018, the Company and Macquarie Bank Limited ("Macquarie") entered into a subscription agreement and amendments agreement, respectively, pursuant to which the Macquarie has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, convertible notes in an aggregate principal amount of HK$800 million, which is to be issued in a single tranche with interest rate at 1% per annum and at the issue price of 99% of the principal amount of the convertible notes ("Convertible Notes"). The Convertible Notes are convertible into ordinary shares of the Company at a conversion price of 95% of the volume weighted average price of the shares of the Company as traded on the Stock Exchange on the trading day immediately preceding the date of delivery of the relevant conversion notice to the Company. The maximum number of conversion shares to be issued upon exercise of conversion rights attached to the Convertible Notes shall be 666,666,000 in any event. To secure the performance of the Company's obligations under, among others, the terms and conditions of the Convertible Notes, on 29 January 2018, the Company entered into a charge over its cash account opened with Macquarie for receiving and holding the net subscription moneys of the Convertible Notes in favour of Macquarie. On 20 February 2018, the Company issued the Convertible Notes in principal amount of HK$800 million to Macquarie. During the current period, Macquarie exercised the conversion rights attached to the Convertible Notes in aggregate principal amount of HK$34 million at average conversion price of HK$1.2286, representing an average discount of 6.56% to the closing market price as quoted on the Stock Exchange immediately preceding day the shares were issued. The net proceeds of approximately HK$33.7 million from issue of conversion shares were used by the Company for general working capital purpose. On 1 June 2018, being the maturity date of the Convertible Notes, all the outstanding Convertible Notes have been redeemed and cancelled by the Company at the remaining principal amount of HK$758.3 million. As at 31 December 2018, the Company has no outstanding Convertible Notes that are convertible into shares of the Company.

23. 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.

		Twelve months ended 31 December	
		2018	2017
		(Unaudited)	(Audited)
	Note	***HK$'000***	*HK$'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
Interest expense on loans from an executive Director and the substantial shareholder	*(i)*	**14,274**	—

Note: –

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

23. RELATED PARTY TRANSACTIONS *(continued)*

(b) *Compensation of key management personnel*

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

	Twelve months ended 31 December	
	2018	2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Short-term benefits	**27,247**	19,264

24. COMMITMENTS

Operating lease commitment

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

	31 December	31 December
	2018	2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within one year	**9,724**	8,382
In the second to fifth year inclusive	**4,439**	11,443
Over 5 years	**980**	1,029
	15,143	20,854

Operating lease payments represent rentals payable by the Group for its office premises and plots of land. The leases are negotiated for terms from one year to thirty years (31 December 2017: six months to thirty years) and does not include contingent rentals. One of the leases is guaranteed by Dr. Kan.

24. COMMITMENTS *(continued)*

Capital commitment

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

	31 December 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Contracted but not provided for		
Plant and machinery	**496,965**	82,630
Capital contribution to subsidiaries	**4,019,475**	4,075,719
	4,516,440	4,158,349

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

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

Financial assets	Fair value as at 31 December 2018	Fair value as at 31 December 2017	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss	nil	Investment in Mainland China with carrying amount of HK$18,911,000	Key unobservable inputs are expected yields of maximum 5% to 5.5% of money market instruments and debt instruments invested by Zhonghai Trust (Note)	The higher the expected yield, the higher the fair value

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

No gains or losses were recognised in profit or loss relating to the change in fair value of financial assets at fair value through profit or loss classified as Level 3 during the year ended 31 December 2017 as the amount involved was insignificant, and therefore no reconciliation of Level 3 fair value measurements was presented.

During the twelve months ended 31 December 2018, there were no significant transfers of financial instruments between Level 1, Level 2 or Level 3.

The Group has redeemed the investment during the twelve months ended 31 December 2018.

26. DISPOSAL OF A SUBSIDIARY

For the twelve months ended 31 December 2018 (unaudited)

Pursuant to the sale and purchase agreement dated 4 September 2017 entered into between the Company and the purchaser, Lihua Energy Storage Transportation Co., Ltd* (利華能源儲運股份有限公司), the Company agreed to dispose the issued share capital of Hebei Tiandao Energy Storage Transportation Co. Ltd*. (河北天道能源儲運有限公司)("Hebei Tiandao"), which was a non-wholly-owned subsidiary of the Group, to the purchaser.

On 4 January 2018, the Group completed the disposal of 51% of Hebei Tiandao at an aggregate consideration of approximately RMB47,900,000 and Hebei Tiandao ceased to be a subsidiary of the Group.

* *For identification purpose only.*

26. DISPOSAL OF A SUBSIDIARY *(continued)*

The carrying amount of the net assets de-recognised in respect of Hebei Tiandao were as follows:–

	HK$'000
Carrying amount of the net assets de-recognised:	
Plant and equipment	1,867
Goodwill	8,727
Deposit for acquisition of plant and equipment	16,189
Deposits and other receivables	63,147
Cash and bank balances	357
Accounts and other payables	(23)
	90,264
Release of exchange reserve	3,625
Non-controlling interest	(39,953)
	53,936
Consideration received:	
Cash consideration	57,514
Gain on disposal of a subsidiary:	
Consideration received	57,514
Carrying amount of net assets de-recognised	(53,936)
	3,578

26. DISPOSAL OF A SUBSIDIARY *(continued)*

Analysis of net inflow of cash and cash equivalents in respect of the Hebei Tiandao disposal:–

	HK$'000
Cash consideration	57,514
Cash and cash equivalents disposed of	(357)
Net inflow of cash and cash equivalents	57,157

The Group recognised a gain of approximately HK$3,578,000 as a result of the disposal and the gain was included in the consolidated statement of profit or loss for the period.

RESULTS ANALYSIS FOR 2018

During the 12 months period ended 31 December 2018 (the "Period"), there was a general decline in the profits of the LNG industry due to the country's supply and demand imbalance. Increase in domestic LNG demand in 2017 from the government's critical policy to gas conversion for environmental protection reasons had caused a distorted high price for international LNG imported into China, rather than a price justified by international trade. However, due to the PRC's economic slowdown and the Chinese government's temporary abandonment of its environmental protection policy when the gas price was at very high levels, the actual market demand and sales price did not grow as expected.

Although operating expenses of the Group for 2018 remained high as we planned out for our business expansion for the next few years (demonstrated by the increase in revenue in 2018 of 105.4%) and requiring commitment to increased staff (from 629 to 1,241) and their training, significant increase investment in storages and transportation equipment (resulted in very big depreciation provisions), business promotion and development costs, sales and marketing expenses, but all of which will fortify the business in 2019 and the years ahead.

Domestic LNG sales of the Group in the Period increased to 362,583.2 tons and sales revenue increased to approximately HK$1,775,644,000. In the Period, with the utilization of our fleet which comprised 275 trucks, the Group achieved a LNG distribution volume of 105,497,542.36 tonne-kilometers, and in turn realised an external transportation revenue of approximately HK$17,024,000.

In the Period, we have successfully planned and constructed the Group's LNG tank distribution centers near various coastal receiving terminals and large-scale port terminals in coastal and riverside regions, also we have purchased 1,275 LNG tank containers. The Group has cooperated with CNOOC Gas and Power Group Co., Limited* ("CNOOC") in using multimodal LNG transportation to complete the first trial "south-to-north LNG transmission" shipment of tank containers between Hainan Province, Shandong Province and Liaoning Province. We have created a river-to-sea LNG tank transportation system from Rizhao Port of Shandong to Longtan Port of Nanjing. This new LNG transportation system created a new LNG transportation corridor in the coastal area and the Yangtze River Economic Zone of the PRC, ensuring the sustainable supply of clean energy for the coastal area and the

Yangtze River Economic Zone. It represents an important strategic step in pushing green development in the PRC.

Over the past 12 months, we also efficiently constructed contingent storage facilities in various regions according to the Central Government's requirements. Leveraging on the contingent storage facilities, we also invested in and established a number of "regional clean energy supply centers". Currently 11 centers are under construction at Huanggang in Hubei Province, Gaoyi in Hebei Province, Lu'an in Anhui Province, Guangchang in Jiangxi Province, Xuzhou in Jiangsu Province, Handan in Hebei Province, Fuping in Shaanxi Province, Chengde in Hebei Province, Changping in Beijing, Neihuang in Henan Province and Changge in Henan Province. Meanwhile, the Group is constructing a natural gas pipeline plant at Gaoyi Ceramic Park in Shijiazhuang, Hebei Province; five township gas pipeline networks at Tangshan Fengrun; and a long-distance natural gas pipeline project for Baian-Yang Fan at Xingtai, Hebei Province. We will continually expand the regional gas pipeline in the future. With regional central heating projects being one of our core business focuses, the Group made advances in transforming central heating projects to electricity and heat cogeneration. To this end, heat users were selected in advance to receive an added natural gas power generation function in due course. The Group also completed natural gas central heating projects in the national sheet material processing demonstration park in Qingyihu Town at Shuyang, Jiangsu Province, and initiated central heating projects in Lu'an Guzhen, Anhui Province, a processing base for the feather industry, as well as for the Guangchang Industrial Park in Jiangxi Province.

On 12 December 2018, the Group formed a joint venture company with CNOOC, the largest LNG supplier in the PRC. As such, the gas source will be secured and the Group will enjoy favorable in-house prices being a part of CNOOC in 2019. The joint venture will integrate the superior resources of both parties in their respective areas of expertise and highlight the branding effect of the strong alliance. The aim of the joint venture is to build a cooperative platform for the domestic LNG full supply chain, to establish and open up sales channel, reduce middleman's participation, improve distribution efficiency, and reduce operating costs. It further aims at setting up a new system for LNG supply, storage, transportation and sales. It also ensures the rapid establishment of a LNG tank containers based multimodal logistic system that will also secure the stable supply to the market. Ultimately, the joint venture, in turn will increase the Group's market share in the domestic LNG industry and enhance customer loyalty, so as to further broaden the industry chain and value chain of the Group in the LNG market.

The Group also entered into an investment agreement with Xingwen County Government of Sichuan Province in the second half of the Period, with the intention to jointly build a LNG gasification plant, which would become another stable supply of gas sources for the Group's end-users.

The use of polluted energy in the country has resulted in serious deterioration of air quality. The health and lifespan of our people will be seriously affected if we are not determined to use clean energy. Over the years, all members of the Group strived to work together to assist the government and the market in promoting a clean energy reform by continuously purchasing equipment, constructing infrastructure and building teams to enter economically developed provinces and peripheral cities, barren and mountainous areas to provide urban residents and rural farmers with sufficient, stable and affordable LNG as clean energy.

BUSINESS REVIEW

Liquefied natural gas (LNG)

As an emerging LNG industry player, the Group has always been aimed to "address the persistent problem of air pollution and improve the environment" and committed to promoting the application of clean energy, including natural gas, in the PRC, and supports its application with a full LNG service chain conforming to the "online + offline" and "logistics and trade + end-user" models. Throughout the Period, the Group adopted various directions and set up routine guidelines and strategic framework for "logistics and trade + end-user". It also focused on the layout planning of LNG tank containers according to customer service provisions and development of the market with its own end-users and logistic service of refilling trucks so as to build good reputation in the industry, with the aim of creating a multimodal LNG transportation system.

As of 31 December 2018, the Group had 275 LNG tank containers in operation. The Group also established an efficient, transparent and convenient tank containers operations and distribution system. In November 2018, CNOOC, the Group, Yangpu Port, Longkou Port and Jinzhou Port jointly addressed the gas shortage in northern regions by using excess capacity from CNOOC's Yangpu receiving terminal and implementing "south-to-north LNG transport" with tank containers. It was the first large-scale multimodal LNG tank container transportation pilot scheme in the PRC. This large-scale LNG tank container transportation project was the first LNG transportation method in PRC and was a significant step in establishing an all-round and multi-channel LNG distribution system.

In addition, in order to strengthen and optimize operational experience of multimodal tank container transport, the Group established long-term communications with the Ministry of Transport, Academy of Water Resources, Marine Transportation Center, various major port groups and marine departments, and the CCS Wuhan Rules & Research Institute (中國船級社武漢規範研究所). This will facilitate a range of scientific research and applications work in respect of multimodal transport of LNG tank containers and lay a foundation of operational continuity for LNG by way of regularization, mass production and commercialization.

At the end of the Period, CLNG Investment (Shanghai) Co., Limited (港能投資(上海)有限公司) ("CLNG Investment"), a wholly-owned subsidiary of the Group, and Gas and Power Group Hanhai Energy Investment Limited Company (中海石油集團瀚海能源投資有限公司) ("Hanhai Energy"), a wholly-owned subsidiary of CNOOC, formed a joint venture committing them to regulate domestic LNG distribution channels, shorten circulation links, improve distribution efficiency, and reduce operating costs. Both parties will also jointly promote and establish the multimodal LNG tank container transport system as their main instrument for changing traditional methods of supply and ensuring users a stable supply.

The Group recorded a loss in its LNG businesses during the Period, due to:

1. Supply and demand imbalance. After suffering an extensive and serious gas shortage in the winter of 2017, increase in domestic PRC demand in 2017 had caused a distorted high price for imported international LNG into China in 2018, rather than a price justified by international trade. However, due to the PRC's economic slowdown and the Chinese government's temporary abandonment of its environmental protection policy when the gas price is at very high levels, the actual market demand and sales price did not grow as expected. As costs increased significantly, the profitability of the industry was squeezed in general.

    1.1. Counter-measure analysis: The domestic natural gas market which is under rapid development will become more orderly and stable eventually. Against the background of an overall sufficient supply of natural gas globally, the import of LNG into the PRC will maintain a steady increase with a stable downtrend in price. On 12 December 2018, the Group formed a joint venture company with CNOOC, the largest LNG supplier in the PRC and as such, the gas source will be secured and the Group will enjoy favorable in-house prices being a part of CNOOC in 2019.

    1.2. Counter-measure analysis: The Group can make use of: the 1,275 LNG tank containers; the transportation capacity of the 275 LNG refilling trucks and trailers; the storage and distribution capabilities derived from the completion of its 11 regional clean energy supply centers; the multi-channels and business opportunities arising from the "South-to-North LNG transportation" in cooperation with CNOOC in the Hainan Province, Shandong Province, Liaoning Province and Jiangsu Province; the multi-channels and business opportunities arising from the "Gasification of Inland River and Yangtze River" being developed together with CNOOC, to organise the Group's direct overseas procurement of LNG to the PRC in 2019, thus achieving the layout planning of multi-gas sources and ensuring the Group's competitive edges and profitability in 2019.

2. Sustained investment. Considering the scarcity and exclusivity of the quality end-user market for LNG, and not to lose out on the development window period as provided by the market, we shall continue to efficiently increase our investment in LNG storage equipment and transportation system such as tank containers and trucks. Although such investment increases the burden of asset depreciation and operating costs, it lays a foundation for the future development, at the same time lock in storage and end-user customers.

    2.1. Counter-measure analysis: The building of a quality customer base laid a solid foundation for the Group's very big growth in the future and the establishment of a system for LNG supply, storage, transportation and sales which enable the Group to achieve the business development of a full supply chain, thus driving its business growth and contribution to profit for not only covering the preliminary investment, but also achieving a stable profit growth. In turn, we will be well prepared for achieving our strategic targets.

SALES AND DISTRIBUTION OF LNG

Point-to-point supply (point supply)

As of 31 December 2018, the Group had 346 point-to-point end-user projects contracted for LNG supply, among which 181 went into operation and 118 were new end-user projects for the year. The Group recorded a point-to-point LNG supply volume of 128,534.01 tons (total volume of approximately 185,088,977.6 cubic metres) for industrial end-user projects and a revenue of approximately HK$672,255,000 for the year.

Wholesale of LNG (trade)

As of 31 December 2018, the Group recorded a LNG wholesale volume of 234,049.19 tons. Total volume was approximately 337,030,833.6 cubic metres, which was mainly derived from the supply of LNG trucks. The Group recorded revenues related to the wholesale of LNG of approximately HK$1,103,389,000.

Distribution of LNG

As of 31 December 2018, the Group's fleet comprised 224 LNG refilling trucks and tail-lift trucks for transportation, including 198 heavy tank vehicles (refilling trucks) and 26 tank container vehicles (tail-lift trucks), representing an increase of 159 vehicles compared to the year 2017. The Group's LNG distribution fleet achieved a load/distance ratio of 105,497,542.36 tonne-kilometers, with an external transportation revenue of approximately HK$17,024,000.

Finance leasing

For the Period, the Group's finance lease companies entered into certain finance lease arrangements for providing finance leasing to 2 point-supply projects with leasing principal of approximately HK$3,204,000, 214 heavy duty LNG vehicles (including tractors and trailers) with leasing principal of approximately HK$94,263,000 and 1,222 tank containers with leasing principal of approximately HK$243,395,000.

As at 31 December 2018, receivables under LNG finance lease arrangements and LNG finance lease receivables were approximately HK$41,700,000 and HK$36,900,000 respectively. During the Period, the Group achieved finance income of approximately HK$10,100,000 from finance leasing services for LNG vehicles, vessels and equipment.

Trading of securities

The Group conducts its trading of Hong Kong securities business through Key Fit Group Limited 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 did not carry out any securities trading for the Period.

Securities brokerage

The Group conducts its securities brokerage business through China Hong Kong Capital Asset Management Limited ("CHKCAML").

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, bond placing and margin financings to its clients for trading in securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group commenced to provide corporate finance advisory services on bond placing to our clients and generated revenue of HK$8,500,000 for the Period.

Financial service

The Group conducts 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 31 December 2018, loan receivables derived from the money lending business was approximately HK$181,400,000.

FINANCIAL REVIEW

Revenue

Revenue increased by approximately 105.36% from approximately HK$896,952,000 for the twelve months period ended 31 December 2017 to approximately HK$1,841,944,000 for the Period.

Revenue derived from provision of finance leasing services for LNG vehicles, vessels and equipment decreased by approximately 35.12% from approximately HK$15,530,000 for the twelve months period ended 31 December 2017 to approximately HK$10,076,000 for the Period because of the decrease in the number of leases.

Revenue derived from sales and distribution of LNG including point-to-point supply of LNG and wholesale of LNG increased by approximately 92.53% from approximately HK$922,278,000 for the twelve months ended 31 December 2017 to approximately HK$1,775,644,000 for the Period because of the expansion of LNG businesses.

No revenue was derived from trading of securities for the Period was mainly due to the Group adopts a wait-and-see attitude towards the volatile stock market in Hong Kong.

Revenue derived from provision of securities brokerage, bond placing, margin financing and securities investment business increased by approximately 159.28% from approximately HK$5,902,000 for the twelve months ended 31 December 2017 to approximately HK$15,303,000 for the Period as the Group commenced to provide corporate finance advisory services on bond placing to our clients.

Revenue derived from the financial services through provision of money lending business remained stable, increased lightly by approximately 3.17% from approximately HK$23,163,000 for the twelve months ended 31 December 2017 to approximately HK$23,897,000 for the Period.

Other income and gains

Other income and gains increased by approximately 19.91% from approximately HK$6,448,000 for the twelve months period ended 31 December 2017 to approximately HK$7,732,000 for the Period. The increase was mainly due to a gain on disposal of Hebei Tiandao Energy Storage Transportation Co. Ltd. (河北天道能源儲運有限公司) for the Period.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 14.37% from approximately HK$26,089,000 for the twelve months period ended 31 December 2017 to approximately HK$29,839,000 for the Period because of the increase in staff costs and employee benefit expenses, travelling expenses and entertainment expenses for sales staff due to the continuing expansion of LNG businesses in the PRC for the Period.

Administrative expenses

Administrative expenses increased by approximately 29.25% from approximately HK$111,827,000 for the twelve months period ended 31 December 2017 to approximately HK$144,531,000 for the Period because of the increase in staff costs and employee benefit expenses, travelling expenses and entertainment expenses for administrative and managerial staff due to the continuing expansion of LNG businesses in the PRC for the Period.

Finance costs

Finance costs for the Period increased significantly by 6,994.37% from approximately HK$284,000 for the twelve months ended 31 December 2017 to approximately HK$20,148,000 for the Period mainly due to (i) increase shareholder's loans to approximately HK$507,540,000 for the Period from approximately HK$30,284,000 for the twelve months ended 31 December 2017, (ii) the issuance of convertible notes to Macquarie Bank Limited ("Macquarie") and (iii) addition of a loan from a third party during the Period.

Income tax credit/(expense)

Income tax credit for the Period was approximately HK$76,047,000 (for the twelve months ended 31 December 2017: an expense of approximately HK$16,935,000). Income tax credit was mainly derived from deferred tax.

In the next five years, the Group's scope of business will be greatly increased and its profitability will be significantly enhanced. After cautious prediction, the Group will be able to receive sufficient taxable amount of income in the next five years to cover the deductible losses in previous years. For the twelve months ended 31 December 2018, the Group recognized deferred tax asset of approximately HK$86,498,000.

CONVERTIBLE NOTES

On 29 January 2018 and 12 February 2018, the Company and Macquarie entered into a subscription agreement and amendments agreement, respectively, pursuant to which the Macquarie has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, convertible notes in an aggregate principal amount of HK$800 million, which is to be issued in a single tranche with interest rate at 1% per annum and at the issue price of 99% of the principal amount of the convertible notes ("Convertible Notes"). The Convertible Notes are convertible into ordinary shares of the Company at a conversion price of 95% of the volume weighted average price of the shares of the Company as traded on the Stock Exchange on the trading day immediately preceding the date of delivery of the relevant conversion notice to the Company. The maximum number of conversion shares to be issued upon exercise of conversion rights attached to the Convertible Notes shall be 666,666,000 in any event. To secure the performance of the Company's obligations under, among others, the terms and conditions of the Convertible Notes, on 29 January 2018, the Company entered into a charge over its cash account opened with Macquarie for receiving and holding the net subscription moneys of the Convertible Notes in favour of Macquarie. On 20 February 2018, the Company issued the Convertible Notes in principal amount of HK$800 million to Macquarie. During the Period, Macquarie exercised the conversion rights attached to the Convertible Notes in aggregate principal amount of HK$34 million at average conversion price of HK$1.2286, representing an average discount of 6.56% to the closing market price as quoted on the Stock Exchange immediately preceding day the shares were issued. The net proceeds of approximately HK$33.7 million from issue of conversion shares were used by the Company for general working capital purpose. On 1 June 2018, being the maturity date of the Convertible Notes, all the outstanding Convertible Notes have been redeemed and cancelled by the Company at the remaining principal amount of HK$758.3 million. As at 31 December 2018, the Company has no outstanding Convertible Notes that are convertible into shares of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had total cash and bank balances of approximately HK$330.2 million as at 31 December 2018 (31 December 2017: approximately HK$408.4 million). As at 31 December 2018, bank and other borrowings of the Group amounted to approximately HK$601,940,000 (31 December 2017: HK$30,284,000) comprised with bank borrowings of approximately HK$34,158,000 (31 December 2017: Nil), obligation under finance lease of approximately HK$14,698,000 (31 December 2017: Nil), loans from a shareholder of approximately HK$507,540,000 (31 December 2017: HK$30,284,000) and loan from a third party of approximately HK$45,544,000 (31 December 2017: Nil). The bank borrowings bear interest rate at range of Loan Prime Rate +0.04% and People's Bank of China benchmark interest rate +60%. The Group's gearing ratio is calculated as net debt divided by total equity was 22.7% as at 31 December 2018 (31 December 2017: 2.4%). Net debt is calculated as bank and other borrowings less bank balances and cash. Net assets were approximately HK$1,196.9 million as at 31 December 2018 (31 December 2017: approximately HK$1,244.4 million).

The Group recorded total current assets value of approximately HK$1,060.5 million as at 31 December 2018 (31 December 2017: approximately HK$1,181.5 million) and total current liabilities value of approximately HK$839.4 million as at 31 December 2018 (31 December 2017: approximately HK$343.7 million). The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was approximately 1.3 as at 31 December 2018 (31 December 2017: approximately 3.4). The current ratio continues to maintain at a healthy condition.

Currently, the Group's operating and capital expenditures are mainly financed by cash generated from operation, internal liquidity, bank borrowings and fund advanced from the controlling shareholder.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend (final dividend for the year ended 31 December 2017: Nil) for the Period.

RISK MANAGEMENT

Our principal financial instruments include financial assets at fair value through profit or loss, loan receivables, receivables under LNG finance lease arrangements, LNG finance lease receivables, accounts and other receivables and bank balances and cash. The main purpose of these financial instruments is to support our LNG business, trading of securities business, securities brokerage, bond placing, 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 Period and year ended 31 December 2017, 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, bond placing, 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. The Group 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, the Group may request a security deposit and collaterals which the Group may apply towards the payment or discharge of any obligation owned by the lessee for the finance leasing business.

The Group 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, the Group 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 finance lease receivables, loan receivables, accounts and other receivables and other financial assets of the Group as at 31 December 2018.

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

As at 31 December 2018, the Group had pledged the motor vehicles with carrying amount of approximately HK$17,852,000 to secure the obligations under finance lease (31 December 2017: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

1) On 4 September 2017, the Company and Lihua Energy Storage Transportation Co., Ltd* (利華能源儲運股份有限公司) ("Lihua Energy") entered into the sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Lihua Energy has conditionally agreed to purchase 51% equity interests in Hebei Tiandao at a consideration of RMB47,900,000. Completion of the share transfer took place on 4 January 2018 and Hebei Tiandao ceased to be a subsidiary of the Group.

2) On 13 February 2018, (i) CLNG Natural Gas Co., Ltd* (港能天然氣有限責任公司) ("Purchaser I"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Liu Ligang (劉立剛), Gu Zhigang (谷志剛), Zheng Fuhe (鄭福和) and Guo Zhilun (郭志倫) ("HDGT Vendors"), pursuant to which HDGT Vendors have agreed to sell, and the Purchaser I has agreed to purchase, the 35% equity interests in Hebei Dezhong Gas Trading Co., Ltd* (河北德眾燃氣貿易有限公司) ("Hebei Dezhong") for the consideration of RMB8,520,000; and (ii) CLNG Hubei Energy Co., Ltd.* (港能(湖北)能源有限公司) ("Purchase II"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Hubei Guoshun New Energy Co., Ltd.* (湖北國順新能源有限公司) ("HGTRQ Vendor"), pursuant to which the HGTRQ Vendor has agreed to sell, and the Purchaser II has agreed to purchase, the 40% equity interests in Hubei Gangshun Tian Ran Qi Co., Ltd.* (湖北港順天然氣有限公司) ("Hubei Gangshun") for the consideration of RMB8,650,000. The acquisition of 35% equity interests in Hebei Dezhong and 40% equity interest in Hubei Gangshun were completed during the twelve months ended 31 December 2018. For more information, please refer to the Company's announcement on 14 February 2018 and circular dated 24 August 2018.

3) On 6 August 2018, Gang Zong Trading (Shanghai) Co., Ltd* (港縱貿易(上海)有限公司) ("Gang Zong Trading"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreement with Jiangsu Chengbo Technology Co., Ltd* (江蘇澄博科技有限公司) ("Jiangsu Chengbo Technology") pursuant to which the Jiangsu Chengbo Technology has agreed to sell, and Gang Zong Trading has agreed to purchase, the 48.5% equity interests in Jiang Yin Hongwei Transportation Co., Ltd* (江陰宏偉運輸有限公司) ("Jiang Yin Hongwei Transportation") for the consideration of RMB6,800,000. After the completion of acquisition of 48.5% equity interest in Jiang Yin Hongwei Transportation, Jinang Yin Hongwei Transportation increased the issued share capital from RMB5,000,000 to RMB10,300,000 which was fully contributed by Gang Zong Trading. After the increment of issued share capital, Gang Zong Trading owned 75% interests in Jiang Yin Hongwei Transportation.

On 3 December 2018, Gang Zong Trading further entered into the equity transfer agreement with Jiangsu Chengbo Technology pursuant to which the Jiangsu Chengbo Technology has agreed to sell, and Gang Zong Trading has agreed to purchase, the 25% equity interests in Jiang Yin Hongwei Transportation for the consideration of RMB7,200,000. Following the completion of acquisition of 25% equity interests in Jiang Yin Hongwei Transportation, Jiang Yin Hongwei Transportation becomes a wholly-owned subsidiary of Gang Zong Trading.

SEGMENTAL INFORMATION

Details of segmental information for the Period are set out in note 5 to this report.

CAPITAL COMMITMENT

As at 31 December 2018, the total capital commitments by the Group amounted to approximately HK$4.5 billion (31 December 2017: HK$4.2 billion) which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and machinery, capital contribution to subsidiaries and associates.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2018 (31 December 2017: Nil).

STAFF AND REMUNERATION POLICIES

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

As at 31 December 2018, the Group had 1,257 employees (31 December 2017: 682 employees), of whom 213 were administrative staff and operating staff; 555 were LNG truck driver; 274 were technical staff; 116 were managerial staff and the remaining 99 were marketing staff. The Group's total staff costs amounted to approximately HK$130 million (for the year ended 31 December 2017: approximately HK$71.6 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.

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

As at 31 December 2018, 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:

Interest in the Company

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
Dr. Kan Che Kin, Billy Albert	The Company	Beneficial owner	Long position	3,698,617,139 Shares	65.53%
("Dr. Kan")	The Company	Beneficial owner	Short position	76,668,000 Shares	1.36%
Mr. Li Kai Yien, Arthur Albert	The Company	Beneficial owner	Long position	200,000 Shares	0.00%
Mr. Chen Li Bo ("Mr. Chen")	The Company	Beneficial owner	Long position	20,000,000 Shares (Note)	0.35%
Mr. Simon Murray ("Mr. Murray")	The Company	Beneficial owner	Long position	5,000,000 Shares (Note)	0.09%
Dr. Lam, Lee G. ("Dr. Lam")	The Company	Beneficial owner	Long position	10,000,000 Shares (Note)	0.18%

Note:

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

Interests in shares in associated corporation(s) of the Company

Director	Name of company in which interests were held	Nature of interests	Number of Shares held in associated corporation	Approximate percentage interests in the capital of the associated corporation
Dr. Kan	Key Fit Group Limited	Beneficial owner	69,982,878 shares	9.99%

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2018.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, so far as was known to the Directors and chief executives of the Company, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 December 2018.

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 twelve months ended 31 December 2018.

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

The Company has complied with the code provisions of the Corporate Governance Code during the 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 Dr. 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 Dr. 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, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two of the non-executive directors, Mr. Simon Murray and Dr. Lam, Lee G. were unable to attend the general meetings held on 1 June 2018 and 19 September 2018 and one independent non-executive Director, Mr. Lam Lum Lee was unable to attend the general meetings held on 19 September 2018 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 Period.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises Dr. 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, 28 February 2019