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)

2019
ANNUAL REPORT

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 AUDITOR

Ernst & Young

AUTHORISED REPRESENTATIVES

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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

chinalng.todayir.com

STOCK CODE

931

Dear Shareholders,

On behalf of the board of directors (the "Board") of China LNG Group Limited (the "Company"), I am pleased to announce the annual results of the Company and its subsidiaries (collectively, the "Group") for the period from 1 January 2018 to 31 March 2019 (the "Period").

The Group has developed into and positioned itself as a comprehensive regional liquefied natural gas ("LNG") solutions provider. It endeavours to develop LNG retail, trading and transportation businesses in the PRC leveraging on the safety, reliability and cleanliness of LNG as an energy source, while also operates regional natural gas storage, refueling station and pipeline gas projects. The Group has 50 wholly-owned subsidiaries, 30 non-wholly owned subsidiaries and 6 associates in 45 cities in the PRC. The Group operates its business mainly in the "2+26" urban areas suffering from relatively serious air pollution, including Tianjin, Hebei, Shandong, Anhui, Jiangsu, Henan, Zhejiang, Hubei and the Pearl River Delta region.

2018 is the beginning year of pursuing the Group's "integrated logistics and trade" strategy and end-user strategy in its LNG business. After preparation made for its logistics and trade business in 2017, the Group has established its own LNG logistics and trade system in 2018. In respect of gas source, the Group successfully established strategic partnership with CNOOC Gas and Power Group, the largest LNG supplier in the PRC, in the beginning of 2018, which provides a strong support for the gas source of the Group and overcomes its shortcomings in the upstream LNG industrial chain in the PRC. In December 2018, the Group formed a joint venture with Hanhai Energy Investment (瀚海能源投資公司), a wholly-owned subsidiary of CNOOC, which further consolidates the Group's foundation in the upstream LNG industrial chain in the PRC.

During the Period, under its "integrated logistics and trade" strategy, the Group completed the establishment of four major LNG logistics and trade bases in North China, East China, South China and Northwest China, with 75 LNG trucks, 10 LNG tank container tractors, 30 LNG tank container tail-lift trucks and two LNG tank container transfer bases in North China; 50 LNG trucks and 22 LNG tank container tail-lift trucks in East China; 56 LNG trucks, 10 LNG tank container tractors and 20 LNG tank container tail-lift trucks in South China; and 49 LNG trucks in Northwest China. In the tank container business, the first batch of 275 LNG tank containers of the Group has been put into operation. In transportation, the Group explored using LNG tank containers in water-land combined transport and successfully used tank containers in "south-to-north LNG transport" and "water-sea combined transport". In storage, the pilot project of using tank containers to store natural gas was successfully carried out.

During the Period, under its end-user strategy, the Group continued to firmly focus on developing liquefied natural gas business in the PRC and realised diversification of sales channels. In addition to sales of LNG through point-to-point supply and trading, the Group also invested in Dewar bottle business, vehicle refuelling stations and centralised heat supply for industrial park. The Group's first project of using Dewar bottles to supply LNG for villages and its first LNG regional clean energy supply center project commenced operation. The construction of its first self-owned petroleum and gas refueling station was also completed. In 2018, the Group successfully bid 3 parcels of land for industrial use with a total area of 182.3 mu which are located in Huanggang of Hubei, Guangchang of Jiangxi and Chengde of Hebei; 2 parcels of land for commercial use with a total area of 86 mu which are located in Huanggang of Hubei and Lu'an of Anhui. Such land lots will be used to construct regional clean energy supply center and refuelling stations, signifying the Group's shift from the point-supply sales model to the fixed regional sales model, which will lay a good foundation for its long-term stable sales of LNG in various regions.

The Group will become a typical growth company in the coming years and substantial investment should be made. As the size of future sales contracts and projects is expected to exceed the existing sales by ten times or more, it is expected that the Group will achieve remarkable profits in 2020.

RESULTS

During the Period, the natural gas consumption of the PRC was 276.6 billion Nm^3, representing a growth of approximately 16.6% over 2017 and accounting for 35% of total increase in energy demand of the PRC. It can visualized that natural gas will continue to be an integral part of the nation's primary energy sources due to its clean nature. The figures also reflected that from the policy aspect, the resolve of the government to actively promote the use of natural gas persists. In spite of high LNG prices globally, the use of natural gas in the PRC did not decrease in 2018. Imported LNG accounted for 35% of the growth in natural gas supply in the PRC. Such large amount of LNG import demand also resulted in the continuous increase in LNG import price to the PRC, which basically ensure the future growth of the sales scale of the Group's LNG business, but also reduced the profit margin in distribution of LNG in the PRC.

Chairman's Statement

This Period is full of opportunities and challenges. The gross turnover and loss attributable to the shareholders for the year are HK$2,670,000,000 and HK$254,000,000 respectively, representing an increase of 198% and 106% as compared with last year respectively. Loss per share increased by 106% to HK4.51 cents.

During 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 HK$3,190,769.26, 214 heavy duty LNG vehicles (including tractors and trailers) with leasing principal of HK$93,873,746.08 and 1,222 tank containers (of which 1,000 tank containers were for 20% down payment of finance lease) with leasing principal of HK$242,389,913.62.

During the Period, in addition to investment in equipment and recruitment of additional employees, the Group also invested substantial amount for the first time for the development of infrastructure. However, most non-current assets have not yet been put into use to bring revenue for the Group, of which the depreciation of equipment resulted in substantial loss of approximately HK$51 million while interest expense was approximately HK$28 million and salary cost including directors' remuneration was approximately HK$117 million, representing an increase of 242%, 9,900% and 63% over 2017 respectively.

PROSPECTS

Currently, the natural gas supply structure of the PRC is mainly composed of three parts including domestically produced natural gas, imported pipeline gas and imported LNG through coastal receiving terminals, which accounts for approximately 56%, 17% and 27% respectively. Regarding supply, domestic natural gas just manages to maintain an annual increase of nearly 10%, while the import of pipeline gas is steady with a slight increase due to the limitation in transmission capacity and restriction of suppliers' contracts. Thus the supply of natural gas in the PRC is currently secured by mainly relying on the import of a large quantity of LNG. This trend is also evidenced by the 36% increase in LNG import of the PRC in 2018. According to estimation, imported LNG will account for around 38% of total consumption and exceed 200 billion cubic metres per year by 2030. Therefore, it is certain that the natural gas industry will grow while the LNG sector that the Group focuses on enjoys the largest growth in the natural gas industry.

The Group formed a joint venture company with CNOOC. 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; rapid establishment of a LNG multimodal transport logistics system based on LNG tanks, changing the traditional LNG supply, storage, transportation and sales mode, to ensure a stable supply to users. The joint venture will increase market share in the domestic LNG industry and enhance customer loyalty, so as to further broaden the value chain of the Group in the LNG market.

During the Period, through mergers and acquisitions with partner companies, the Group's fleet comprised 230 LNG refilling trucks for transportation, 42 tank container tractors and 72 tank container tail-lift trucks. At the same time, we have completed the purchase of 1,275 tanks, among which, 275 of them are in operation. With the completion of the above work, our LNG logistics distribution capacity ranked first in the PRC.

The Group develops tanks as storage carriers, with multimodal tank container transport, decentralized warehousing, e-commerce + offline distribution, big data forecasting and intelligent management as means of realization. It establishes "LNG Resource No. 1 Warehouse" similar to Jingdong in the vicinity of LNG resource points (liquefaction plants, receiving stations), large logistics channels (large ports and road, railways and water transportation) and large terminal users, so as to optimize the supply chain of LNG resources. At the same time, it opens the "collaborative warehouse" mode, sets up yard to store LNG at the place of its end-users.

The end-user business has always been the starting point of the Group's main strategy, but it is not the end. Nowadays, the end-user business of China LNG Group has entered a transformation period, changing its end-user model of pure development of point-to-point supply, and shifting to a more systematic development, a customer-friendly, government-adhesive LNG end-users sales system, such as regional clean energy supply center, regional LNG reserve plus supporting pipeline network, district central heating and decentralized energy projects, vehicle and ship LNG refilling station project. The Group strives to create a LNG-based natural gas terminal sales model with its own characteristics, aims to "address the persistent problem of air pollution and improve the environment", which forms mutual support, complementarity and common development with pipeline natural gas. It also provides a package of gas utilization solutions for various regions and customers, serves local governments and people, manages smog and improves environment to win the blue sky defense battle.

The end-user customers are still one of the most important resources of the Group. With the implementation of the independent policy of the national pipeline network, it is imperative to promote the direct connection between the resource supplier and the demand side. Since 2018, the Group has seized the opportunity on the central government to require the construction of peaking reserve banks, and to use the peaking reserve pool as a starting point for investment and to build regional clean energy supply centers in various regions. The establishment of end-user services in the form of "regional clean energy supply center" in various regions not only establishes bases for terminal services, but also forms reserve stations and logistics transfer stations. It can be seen that "End-users + Reserve + Logistics + Trade" will be the trend of the Group's future business development in various regions, so that the integration of trade and end-users will achieve overall regional development in the future.

In terms of gas source, the Group will improve the stability of system gas supply by introducing independent manufacturers' gas sources. Gas sources from the independent manufacturers not only provide LNG, but also pipeline gas. Increasing the diversity of gas sources can improve the stability of system gas supply, which will help the Group balance the usage of different gas sources, balance the prices of independent manufacturers and imported gas from CNOOC, and remove the absolute reliance on a single gas source. To this end, the Group's wholly-owned subsidiary CLNG Natural Gas Co., Ltd (港能天然氣有限責任公司) entered into the an investment agreement with Xingwen County Government of Sichuan Province in the second half of 2018, 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 and of great significance to the Group's gas source trading business and logistics transportation business.

In terms of logistics tanks, the Group aims to establish a LNG multimodal transport logistics system based on LNG tanks, which are safe and flexible, suitable for both transportation and storage and have the inherent advantages of using multimodal transportation by waterways, railways and highway, and builds 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, change the traditional sense of LNG supply, storage, transportation, sales models and ensure stable supply to users.

At the same time, along with the growth of the domestic LNG industry and the volatility of the market, logistics capacity will be an important component of the Group's performance growth, so the Group's extensive modes of LNG transportation and distribution will be an inevitable trend to meet the transformation of capacity.

The Group will continue to pursue the objective of "addressing the persistent problem of air pollution and improving the environment". On the foundation of its current business segments comprising point-to-point supply, regional clean energy centers, Dewar bottle gas supply, vehicle and ship refilling stations, regional pipeline networks, peaking reserve and LNG transportation, the Group will gradually expand into the gas source sector and ultimately complete its whole industrial chain business coverage including gas source, logistics, reserve and end-users, and become an influential supplier of LNG energy in the PRC.

ACKNOWLEDGEMENT

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

Kan Che Kin, Billy Albert
Chairman

Hong Kong, 27 June 2019

Management Discussion and Analysis

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 March 2019, 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 successful 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 2018, 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 for the 15 months period from 1 January 2018 to 31 March 2019, due to:

1. In the first half of 2018, the spot price of LNG in the international market increased significantly, led to serious imbalance between purchase price of the CNOOC Gas and market price. In order to ensure that CNOOC gave the Group sufficient indicators in winter, the Group mainly purchased LNG from the CNOOC during the price imbalance period in the first half of the year. In winter of 2018, although the market demand for LNG continued the seasonal growth trend, the extent was lower than that of the previous two years, and showed a phenomenon of "neither slack in weak season nor booming in peak season", which led to the price that CNOOC has given to the Group did not have much advantage. Therefore, from the perspective of the whole year of 2018, the Group's LNG purchase cost of the Group was relatively high, which reduced profit margins.

2. In order to take root in the LNG industry, the Group adjusted its terminal business. The Group obtained legal LNG sales assets through the regional clean energy supply center, connected the city gas peak shaving stations, regional gas pipeline network, Dewar bottle filling stations and distribution system, small reserve and tank distribution base, refueling stations/oil and gas joint station, and point-to-point supply project. Each region was based on the clean energy supply center. It was no longer only done for the purpose of point-to-point supply. Therefore, the Group had to invest a large amount of funds at the early stage of the big project for the 15 months period from 1 January 2018 to 31 March 2019.

3. The quality and quantity of the Group's own end-users projects needed to be further improved, and the driving effect on logistics was at still the upgrading stage. Material trade and end-users were matching strategy. Through end-users driving logistics and through logistics protecting end-users, material trade and end-users of the Group were in a rapid development period, an efficient logistics dispatching platform was established, and through the development of powerful end-users and advanced dispatching systems, the basic turnover rate of logistics was guaranteed.

SALES AND DISTRIBUTION OF LNG

Point-to-point supply (point supply)

As of 31 March 2019, 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 15 months period from 1 January 2018 to 31 March 2019. The Group recorded a point-to-point LNG supply volume of 146,000 tons (total volume of approximately 210,757,000 cubic metres) for industrial end-user projects and a revenue of approximately HK$832,496,000 for the 15 months period from 1 January 2018 to 31 March 2019.

Wholesale of LNG (trade)

For 15 months period from 1 January 2018 to 31 March 2019, the Group recorded a LNG wholesale volume of 311,000 tons (after inter-segment elimination of the Group). Total volume was approximately 447,828,000 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$1,747,497,000.

Distribution of LNG

As of 31 March 2019, the Group's fleet comprised 230 LNG refilling trucks for transportation, representing an increase of 165 vehicles compared to the 12 months ended 31 December 2017. The Group's LNG distribution fleet achieved a load/distance ratio of 152,042,000 tonne-kilometers, with a revenue of approximately HK$31,646,000.

Finance leasing

For the 15 months period from 1 January 2018 to 31 March 2019, 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 March 2019, receivables under LNG finance lease arrangements and LNG finance lease receivables were approximately HK$17,247,000 and HK$8,447,000 respectively. During the 15 months period from 1 January 2018 to 31 March 2019, the Group achieved finance income of approximately HK$10,552,000 from finance leasing services for LNG vehicles 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 15 months period from 1 January 2018 to 31 March 2019, the stock market in Hong Kong was quite volatile, the Group did not carry out any securities trading for the 15 months period from 1 January 2018 to 31 March 2019.

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 15 months period from 1 January 2018 to 31 March 2019.

Financial service

The Group conducts its financial services operation through its money lending business under the Money Lenders Ordinance in Hong Kong.

During the 15 months period from 1 January 2018 to 31 March 2019, all the loans granted under the money lending business of the Group were secured loans and were funded by internal resources. As at 31 March 2019, loan receivables derived from the money lending business was approximately HK$186,800,000.

FINANCIAL REVIEW

In 2018, import LNG accounted for 35% of the growth in natural gas supply in the PRC. Such large amount of LNG import demand also resulted in the continuous increase in LNG import price to the PRC, which basically ensure the future growth of the sales scale of the Group's LNG business, but also reduced the profit margin in distribution of LNG in the PRC.

Revenue

Revenue increased by approximately 198% from approximately HK$896,952,000 for the twelve months period 31 December 2017 to approximately HK$2,670,934,000 for the 15 months period from 1 January 2018 to 31 March 2019. Revenue derived from provision of finance leasing services for LNG vehicles and equipment decreased by approximately 47% from approximately HK$15,530,000 for the twelve months ended 31 December 2017 to approximately HK$10,552,000 for the 15 months period from 1 January 2018 to 31 March 2019 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 180% from approximately HK$922,278,000 for the twelve months 31 December 2017 to approximately HK$2,581,019,000 for the 15 months period from 1 January 2018 to 31 March 2019 because of the expansion of LNG businesses. No revenue was derived from trading of securities for the 15 months period from 1 January 2018 to 31 March 2019 as the Group employed all its resources to the LNG businesses. Revenue derived from provision of securities brokerage, bond placing, margin financing and securities investment business increased by approximately 165% from approximately HK$5,902,000 for the twelve months 31 December 2017 to approximately HK$15,638,000 for the 15 months period from 1 January 2018 to 31 March 2019 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 increased by approximately 38% from approximately HK$23,163,000 for the twelve months ended 31 December 2017 to approximately HK$32,079,000 for the Period mainly due to the longer duration of the 15 months period from 1 January 2018 to 31 March 2019.

Other income and gains

Other income and gains increased by approximately 31% from approximately HK$6,448,000 for the twelve months ended 31 December 2017 to approximately HK$8,425,000 for the 15 months period from 1 January 2018 to 31 March 2019. 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 15 months period from 1 January 2018 to 31 March 2019.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 48% from approximately HK$26,089,000 for the twelve months ended 31 December 2017 to approximately HK$38,511,000 for the 15 months period from 1 January 2018 to 31 March 2019 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 70% from approximately HK$111,827,000 for the twelve months ended 31 December 2017 to approximately HK$190,162,000 for the 15 months period from 1 January 2018 to 31 March 2019 because of the increase in depreciation of additional equipment, staff costs and employee benefit expenses, travelling and entertainment expenses for the continuing expansion of LNG businesses in the PRC for the 15 months period from 1 January 2018 to 31 March 2019.

Finance costs

Finance costs for the 15 months period from 1 January 2018 to 31 March 2019 increased significantly by 9,880% from approximately HK$284,000 for the twelve months ended 31 December 2017 to approximately HK$28,345,000 for the 15 months period from 1 January 2018 to 31 March 2019 mainly due to (i) increase shareholder's loans to approximately HK$493,922,000 for the period from 1 January 2018 to 31 March 2019, (ii) the issuance of convertible notes to Macquarie Bank Limited ("**Macquarie**") and (iii) addition of loans from third parties during the 15 months period from 1 January 2018 to 31 March 2019.

Income tax expense

Income tax expense for the 15 months period from 1 January 2018 to 31 March 2019 was approximately HK$6,885,000 (for the twelve months ended 31 December 2017: an expense of approximately HK$16,935,000). The decrease of income tax expense by 59% was due to the increase in operating loss of certain subsidiaries in PRC.

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 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 15 months period from 1 January 2018 to 31 March 2019, 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 March 2019, 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$100,388,000 as at 31 March 2019 (31 December 2017: approximately HK$364,162,000). As at 31 March 2019, bank and other borrowings of the Group amounted to approximately HK$654,066,000 (31 December 2017: HK$30,284,000) comprised with bank borrowings of approximately HK$50,244,000 (31 December 2017: Nil), obligation under finance lease of approximately HK$13,151,000 (31 December 2017: Nil), loans from a shareholder of approximately HK$493,922,000 (31 December 2017: HK$30,284,000), loans from joint ventures of approximately HK$47,907,000 (31 December 2017: Nil) and loan from a third party of approximately HK$48,842,000 (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 ×160%. The Group's gearing ratio is calculated as net debt divided by total equity was 119% as at 31 March 2019 (31 December 2017: N/A). Net debt is calculated as bank and other borrowings, account payables, other payables and accruals and loan from a shareholder less bank balances and cash. Net debts were approximately HK$1,075,978,000 as at 31 March 2019 (31 December 2017: Net cash approximately HK$69.8 million). The Group recorded total current assets value of approximately HK$690,387,000 as at 31 March 2019 (31 December 2017: approximately HK$1,181,505,000) and total current liabilities value of approximately HK$681,027,000 as at 31 March 2019 (31 December 2017: approximately HK$343,746,000). The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was approximately 1.01 as at 31 March 2019 (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.

DIVIDEND

The Directors do not recommend the payment of a final dividend (final dividend for the year ended 31 December 2017: Nil) for the 15 months period from 1 January 2018 to 31 March 2019.

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, liquidity risk and interest rate 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 risk

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 15 months period from 1 January 2018 to 31 March 2019 and 12 months 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.

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.

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 whollyowned 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 another equity transfer agreement with Jiangsu Chengbo Technology, pursuant to which Jiangsu Chengbo Technology has agreed to sell, and Gang Zong Trading has agreed to purchase, 25% equity interests in Jiang Yin Hongwei Transportation at a cash consideration of RMB7,200,000, (equivalent to approximately HK$8,506,000). On 11 January 2019, the Group completed the acquisition of the remaining 25% equity interests in Jiang Yin Hongwei Transportation. Following the completion of acquisition of 25% equity interests in Jiang Yin Hongwei Transportation, Jiang Yin Hongwei Transportation became a wholly-owned subsidiary of Gang Zong Trading.

CAPITAL COMMITMENT

As at 31 March 2019, the total capital commitments of the Group amounted to approximately HK$198,838,000 (31 December 2017: HK$82,630,000) which were mainly made up of contracted commitments in respect of the acquisition of plant and machinery.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2019 (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 March 2019, the Group had 1,285 employees (31 December 2017: 682 employees), of whom 223 were administrative staff and operating staff; 572 were LNG truck driver; 276 were technical staff; 116 were managerial staff and the remaining 98 were marketing staff. The Group's total staff costs amounted to approximately HK$116.8 million (for the 12 months ended 31 December 2017: approximately HK$71.6 million) for the 15 months period from 1 January 2018 to 31 March 2019. 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 15 months period from 1 January 2018 to 31 March 2019.

OTHER MATTERS

Change of Auditor

During the period, the company announced that PKF Hong Kong Limited ("**PKF**") has resigned as the auditor of the Company with effect from 19 December 2018. The Board of Directors has resolved, with the recommendation from the audit committee of the Company, to appoint Ernst & Young as the new auditor of the Company with effect from 19 December 2018 to fill the vacancy following the resignation of PKF, and to hold office until the conclusion of the next annual general meeting of the Company.

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 consolidated financial result of the Group for the 15 months ended 31 March 2019. 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.

EXECUTIVE DIRECTORS

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

Dr. Kan, aged 67, was appointed as an executive Director, the chairman and the chief executive officer of the Company in May 2013. Dr. Kan graduated from the University of East Anglia in the United Kingdom with a Bachelor of Science degree. Dr. Kan further received a degree of Doctor of Civil Law honoris causa from the University of East Anglia in July 2016. Dr. Kan is a fellowship member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and a fellow of the Hong Kong Securities Institute. Dr. Kan had worked with Deloitte Touche Tohmatsu and KPMG and is equipped with extensive experience in accounting, taxation and corporate finance. Dr. Kan is currently the Vice President of the Trade and Logistics Branch of the China General Chamber of Commerce. In addition, Dr. Kan has over 30 years of experience in serving on the board of directors of financial institutions and listed companies in Hong Kong, including Security Pacific Credit Hong Kong Limited (a subsidiary of Security Pacific National Bank, taken over by Bank of America then by China Construction Bank), Burlingame International Company Limited (now renamed as EverChina Int'l Holdings Company Limited) (stock code: 202) and Warderly International Holdings Limited (now renamed as Fullshare Holdings Limited) (stock code: 607). Dr. Kan resigned as a director of EverChina Int'l Holdings Company Limited in September 2000 and of Fullshare Holdings Limited in December 2013. Dr. Kan is also a director of several wholly-owned subsidiaries of the Company. Mr. Li Kai Yien, Arthur Albert is a nephew of Dr. Kan.

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

Mr. Chen, aged 69, was appointed as an executive Director and the deputy chairman of the Company in January 2015. Mr. Chen graduated from China's Northeastern University of Finance (formerly the Liaoning Institute of Finance), worked for the China Construction Bank for over 15 years and was a vice president of the Pudong branch. Mr. Chen worked over 14 years for HKC (Holdings) Limited, whose predecessor is Kumagai Gumi (Hong Kong) Limited熊谷組(香港)有限公司and was their executive director, chief operating officer, deputy chairman and chief executive officer. Mr. Chen has served on the board of directors of two listed companies in Hong Kong, including HKC (Holdings) Limited (stock code: 190) and J.I.C. Technology Company Limited (now renamed as China Renewable Energy Investment Limited) (stock code: 987). He resigned as director of HKC (Holdings) Limited and China Renewable Energy Investment Limited in 2008. Mr. Chen has extensive experience in finance and corporate affairs in China.

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

Mr. Li, aged 46, was appointed as an executive Director in October 2007. Mr. Li graduated from University of Southern California with a Bachelor of Science degree in 1995. Mr. Li has been a Certified Public Accountant since 2001 and has more than 15 years' experience in accounting and securities dealing. Mr. Li is currently a dealer representative of Phillip Securities (HK) Ltd. Mr. Li is a nephew of Dr. Kan and brother of Ms. Li.

NON-EXECTIVE DIRECTORS

Mr. Simon Murray

Mr. Murray, aged 78, was appointed as a non-executive Director in April 2015. Mr. Murray served as an independent non-executive Director from October 2014 to April 2015. Mr. Murray has been awarded the CBE (Commander of the British Empire) by H.M. The Queen, and the Order of Merit of the French Republic and is a "Chevalier de La Legion d'Honneur". He holds an Honorary Degree in law, from Bath University and attended the (SEP) Stanford Executive Programme in the United States.

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

He has been an independent non-executive director of Cheung Kong Property Holding Limited (now renamed as CK Asset Holdings Limited) (Stock Code: 1113) from February 2015 to May 2017. He was also a non-executive director of Compagnie Financière Richemont SA, a company listed in Switzerland from October 2003 to September 2017.

Biographical Details of Directors and Senior Management

Dr. Lam, Lee G.

Dr. Lam, aged 59, was appointed as a Non-Executive Director in April 2015. Dr. Lam served as an Independent Non-Executive Director from October 2014 to April 2015.

He is the Chairman of Hong Kong Cyberport Management Company Limited, Non-Executive Chairman – Hong Kong and ASEAN Region and Chief Adviser to Macquarie Infrastructure and Real Assets Asia, a member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-Industrialisation, and the Court of the City University of Hong Kong, Convenor of the Panel of Advisors on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, President of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Vice Chairman of Pacific Basin Economic Council (PBEC), a member of the Hong Kong Trade Development Council Belt and Road Committee and Convenor of its Digital Silk Road Working Group, a member of the Sir Murray MacLehose Trust Fund Investment Advisory Committee, and the Advisory Board of the Hong Kong Investor Relations Association, Honorary Advisor to the Hong Kong Business Angel Network (HKBAN), Honorary Chairman – Asia Pacific of CMA Australia, Chairman of Monte Jade Science and Technology Association of Hong Kong and President of Hong Kong-ASEAN Economic Cooperation Foundation.

Dr. Lam holds a BSc in Sciences and Mathematics, an MSc in Systems Science and an MBA from the University of Ottawa in Canada, an LLB (Hons) in law from Manchester Metropolitan University in the UK, a LLM in Law from the University of Wolverhampton in the UK, an MPA and a PhD from the University of Hong Kong. He is also a Solicitor of the High Court of Hong Kong (and formerly a member of the Hong Kong Bar), an Accredited Mediator of the Centre for Effective Dispute Resolution, a Fellow of Certified Management Accountants (CMA) Australia, the Institute of Public Accountants, the Institute of Financial Accountants, the Hong Kong Institute of Arbitrators, and the Hong Kong Institute of Directors, and an Honorary Fellow of Certified Public Accountants (CPA) Australia, the Hong Kong Institute of Facility Management, and the University of Hong Kong School of Professional and Continuing Education.

Dr. Lam is currently an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Glorious Sun Enterprises Limited (Stock Code: 393), Vongroup Limited (Stock Code: 318), Mei Ah Entertainment Group Limited (Stock Code: 391), Elife Holdings Limited (Stock Code: 223), Haitong Securities Co., Ltd. (Stock Code: 6837, a company also listed on Shanghai Stock Exchange, Stock Code: 600837), Huarong Investment Stock Corporation Limited (Stock Code: 2277), Hang Pin Living Technology Company Limited (formerly known as Hua Long Jin Kong Company Limited, Stock Code: 1682), Kidsland International Holdings Limited (Stock Code: 2122), Hsin Chong Group Holdings Limited (Stock Code: 404), Mingfa Group (International) Company Limited (Stock Code: 846) and Aurum Pacific (China) Group Limited (Stock Code: 8148); and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228), China Shandong Hi-Speed Financial Group Limited (Stock Code: 412), Tianda Pharmaceuticals Limited (Stock Code: 455) and Green Leader Holdings Group Limited (Stock Code: 0061); the shares of all of the aforementioned companies are listed on the Stock Exchange. He is also an independent non-executive director of each of China Real Estate Grp Ltd. (formerly known as Asia-Pacific Strategic Investments Limited, Stock Code: 5RA), Top Global Limited (Stock Code: BHO), JCG Investment Holdings Ltd. (formerly known as China Medical (International) Group Limited, Stock Code: VFP) and Thomson Medical Group Limited (Stock Code: A50), and a non-executive director of Singapore eDevelopment Limited (Stock Code: 40V); the shares of all of the aforementioned companies are listed on Singapore Exchange. Dr. Lam is also an independent director of Sunwah International Limited (Stock Code: SWH), a company listed on Toronto Stock Exchange; an independent non-executive director of AustChina Holdings Limited (Stock Code: AUH), a company listed on Australian Securities Exchange; a non-executive director of Adamas Finance Asia Limited (Stock Code: ADAM), a company listed on London Stock Exchange and an independent non-executive director of TMC Life Sciences Berhad, a company (Stock Code: 0101) listed on the Main Board of Bursa Malaysia Securities Bhd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Siu Yui

Mr. Li Siu Yui, aged 48, was appointed as an independent non-executive Director in October 2007. He holds a Master's degree in Business Administration from University of Wales. He has over 20 years' experience in the area of investment. He was working in securities companies during the period from 1997 to 2002. Afterward, he has been engaged as an investment manager in two private companies.

He is currently an independent non-executive Director of Jia Meng Holdings Limited (now renamed as EJE (Hong Kong) Holdings Limited) (Stock Code:8101).

He has been an independent non-executive Director of Warderly International Holdings Limited (now renamed as Fullshare Holdings Limited) (stock code: 607) from June 2008 to December 2013.

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

Mr. Au Yeung, aged 51, was appointed as an independent non-executive Director in July 2016. Mr. Au Yeung holds the Bachelor of Arts (Honours) Degree in Finance from the Hong Kong Polytechnic University, is a fellow member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, a charter holder of the CFA Institute, and a member of Hong Kong Society of Financial Analysts.

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

Mr. Au Yeung is also an independent non-executive Director of GR Properties Limited (stock code: 108), Shanshan Brand Management (stock code:1749), RedSun Properties (stock code:1996) and eBroker Group (stock code:8036). He was an INED of Kiu Hung International (stock code:381) from May to September 2016.

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

Mr. Lam, aged 73, was appointed as an independent non-executive Director in May 2015. Mr. Lam, is currently chairman of China Information Industry Association (中華信息產業聯合會) and chairman of China Culture & Education Foundation (中華文化教育基金會). He was a committee member of Hong Kong Vocational Training Council of Electronic and Telecommunication Division (香港職業訓練局通訊及電子委員會), the president of Hong Kong Critical Components Manufacturers Association (香港關鍵性零部件製造業協會), the vice chairman of Hong Kong Electronic Technology Association (香港電子科技商會), and a director of Hong Kong Optoelectronic Association (香港光電子協會).

SENIOR MANAGEMENT

Mr. Feng Yang ("Mr. Feng")

Mr. Feng, aged 48, was appointed as chief financial officer in December 2018. He holds a Bachelor Degree in Accounting from the Oxford Brookes University, a Bachelor Degree in Mechanical Engineering from Hebei University of Engineering and a Master Degree in International Economic Law from Dalian Maritime University. He is a fellow member of the Association of Chartered Certified Accountants and a member of Chartered Professional Accountants of Canada. He has over 20 years of experience in financial management, auditing and taxation.

Corporate Governance Report

CORPORATE GOVERNANCE CODE

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

The Company has complied with the code provisions of the Corporate Governance Code during the 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").
Having made specific enquiry of all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the 15 months period from 1 January 2018 to 31 March 2019.

BOARD OF DIRECTORS

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

Executive Directors

Dr. Kan Che Kin, Billy Albert *(Chairman)* (Note 1)
Mr. Chen Li Bo *(Deputy Chairman)*
Mr. Li Kai Yien, Arthur Albert (Note 1)

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

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

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

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

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

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

Corporate Governance Functions

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

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

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

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

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

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

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices. According to the training records provided to the Company by the individual Directors, the Directors have read journals, regulatory updates and/or attended external seminars and programmes with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2018.

The roles of the chairman and the chief executive officer were both held by Dr. Kan during the year. The Board believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies.

BOARD DIVERSITY POLICY

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

Summary of the Board Diversity Policy

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

Measurable Objectives

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

Monitoring and Reporting

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

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

REMUNERATION COMMITTEE

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

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

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

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

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

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

The remuneration of the members of the senior management of the Group by band for the 15 months period from 1 January 2018 to 31 March 2019 is set out below:

Remuneration bands	Number of persons
Nil to HK$1,000,000	8
HK$1,000,001 to HK$2,000,000	1

Directors' emoluments comprise payments to the Directors by the Group in connection with the management of the affairs of the Group and other benefits. Further particulars regarding directors' remuneration and the five highest paid employees are shown in note 8 to the consolidated financial statements.

AUDIT COMMITTEE

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

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

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

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

During the Period, the Audit Committee held three meetings. Matters considered at the meetings included revision of the Group's 2017 annual results, 2018 interim results, 2018 second interim results, the fees for engaging the external auditors to provide the audit for the year 2017 and the interim review for the year 2018, the independence of the external auditors, the fees for non-audit services, the Company's financial control, internal control and risk management system, accounting and finance matters.

NOMINATION COMMITTEE

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

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

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

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

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

	Attendance/Number of meetings held during the year					
Directors	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Annual general meeting	Extraordinary general meeting
Executive Directors						
Dr. Kan Che Kin, Billy Albert *(Chariman)*	16/16	N/A	1/1	1/1	1/1	0/1
Mr. Chen Li Bo *(Deputy Chairman)*	14/16	N/A	N/A	N/A	1/1	0/1
Mr. Li Kai Yien, Arthur Albert	16/16	N/A	N/A	N/A	1/1	1/1
Non-Executive Directors						
Mr. Simon Murray	14/16	N/A	N/A	N/A	0/1	0/1
Dr. Lam, Lee G.	14/16	N/A	N/A	N/A	0/1	0/1
Independent Non-Executive Directors						
Mr. Li Siu Yui	16/16	3/3	1/1	1/1	1/1	1/1
Mr. Lam Lum Lee	16/16	3/3	N/A	N/A	1/1	0/1
Mr. Au Yeung Po Fung	16/16	3/3	1/1	1/1	1/1	1/1

AUDITOR'S REMUNERATION

For the 15 months period from 1 January 2018 to 31 March 2019, the fee paid/payable to the Group's external auditor, Ernst & Young, for the audit services was HK$2,580,000. The non-audit services paid/payable to other firms for taxation services was HK$38,000. In considering the re-appointment of the external auditor, the Audit Committee has taken into consideration their relationship with the Company and their independence in the provision of nonaudit services. Based on the results of the review and after taking into account the opinion of the management of the Group, the Audit Committee recommended the Board to re-appoint Ernst & Young as the external auditor of the Company for the year ending 31 March 2020, subject to approval by the Shareholders at the forthcoming annual general meeting to be held on 30 August 2019. There is no former partner of the existing firm auditing the accounts of the Company acting as a member of the Audit Committee within one year commencing on the date of his ceasing to be a partner of the firm. In addition, the Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered.

INTERNAL CONTROL

During the 15 months period from 1 January 2018 to 31 March 2019, the Board through the Audit Committee, has conducted a review of the effectiveness of the system of internal control of the Group to ensure that a sound internal control system is maintained and operated by the management in compliance with the agreed procedures and standards. The review has covered all material aspects of internal control including financial, operational and compliance controls and risk management functions of the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Group for the 15 months period from 1 January 2018 to 31 March 2019. The Directors ensure that the audited consolidated financial statements of the Group for the 15 months period from 1 January 2018 to 31 March 2019 have been properly prepared in accordance with the statutory requirements and applicable accounting standards. A report of the independent auditor of the Group is set out on pages 46 to 50 of this annual report.

COMPANY SECRETARY

During the year, Mr. Ha Cheuk Pan has resigned as a company secretary and Dr. Kan has been appointed as the company secretary of the Company with effect from 24 December 2018. Dr. Kan has resigned as a company secretary of the Company so as to devote more time to his role as chairman of the Group with effect from 28 February 2019. Consequent to the above resignations, Mr. Lam Yu Yeung has been appointed as the company secretary of the Company with effect from 28 February 2019 and becomes the sole company secretary of the Company. The company secretary was responsible for advising the board through the chairman and the chief executive on governance matters and report to the chairman and the chief executive. During the 15 months period from 1 January 2018 to 31 March 2019, the company secretary have duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

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

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

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

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

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

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

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

Two of the NEDs, Mr. Murray and Dr. Lam, and one INED, Mr. Lam, were unable to attend the general meeting held on 19 September 2018; two of the NEDs, Mr. Murray and Dr. Lam, and one INED, Mr. Li Siu Yui, were unable to attend the general meeting held on 1 June 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 NEDs and INEDs was ensured.

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

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

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

Procedures for Putting forward Proposals at a General Meeting

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

Procedures for Proposing a Person for Election as a Director

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

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

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

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

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

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

Procedures for Directing Shareholders' Enquiries to the Board

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

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

Report of the Directors

The Board presents the annual report and the audited consolidated financial statements of the Group for the 15 months period from 1 January 2018 to 31 March 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the principal activities of the Group are development of LNG businesses in China, including (i) in 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 the Chinese Ministry of Foreign Trade and Economic Cooperation; and (ii) in Hong Kong, trading of securities, provision of securities brokerage, margin financing and securities investments and financial services through provision of money lending business. The principal activities of its subsidiaries are set out in note 1 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the 15 months period from 1 January 2018 to 31 March 2019 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 51 and 53 of this annual report. The Directors do not recommend the payment of any dividend for the 15 months period from 1 January 2018 to 31 March 2019.

SHARE CAPITAL

Details of share capital of the Company are set out in note 31 to the consolidated financial statements.

RELATIONSHIP WITH INVESTORS AND THE PUBLIC

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

ENVIRONMENTAL POLICIES

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the PRC while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong and the PRC. During the 15 months period from 1 January 2018 to 31 March 2019 and up to the date of this report, we have complied with all the relevant laws and regulations in Hong Kong and the PRC.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 154 of the annual report.

PLANT AND EQUIPMENT

Details of movement in plant and equipment of the Group during the period are set out in note 13 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company has not adopted any share option scheme as at 31 March 2019.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

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
Dr. Li Yao

In accordance with the provisions of the Company's articles of association, Mr. Li Kai Yien Arthur Albert, Dr. Li Yao, Mr. Li Siu Yui and Mr. Lam Lum Lee will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

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

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

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

CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the four INEDs an annual confirmation for the 15 months ended 31 March 2019 of his independence as required under Rule 3.13 of the Listing Rules and considers all the INEDs are independent.

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

As at 31 March 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO) or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Name of company in which interests were held	Nature of interests	Long position/ Short position	Number of Shares held	Approximate percentage of shareholding
Dr. Kan Che Kin, Billy Albert	The Company	Beneficial owner	Long position	3,698,675,139 Shares	65.54%
	The Company	Beneficial owner	Short position	189,543,940 Shares	3.36%
Mr. Li Kai Yien	The Company	Beneficial owner	Long position	200,000 Shares	0.00%
Mr. Chen Li Bo	The Company	Beneficial owner	Long position	20,000,000 Shares (Note)	0.35%
Mr. Simon Murray	The Company	Beneficial owner	Long position	5,000,000 Shares (Note)	0.09%
Dr. Lam, Lee G.	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			
Name of Director	Name of company in which interests were held	Nature of interests	Number of Shares held	Approximate percentage of interests in the capital of the associated corporation
Dr. Kan Che Kin, Billy Albert	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 March 2019.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2019, 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 March 2019

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as set out in note 40 to the consolidated financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor had there been any contract of significance entered into between the Group and a controlling Shareholder of the Company during the year.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 7 and 8 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders of the Company as at 31 March 2019 and 31 December 2017 were as follows:

	31 March 2019 HK$'000	31 December 2017 HK$'000
Share premium	**434,385**	401,279
Special reserve	**112,369**	112,369
Retained profits	**8,821**	32,110
Total	**555,575**	545,758

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

MAJOR CUSTOMER AND SUPPLIER

Revenue attributable to the Group's five largest customers accounted for approximately 11% of the Group's total revenue for the 15 months period from 1 January 2018 to 31 March 2019 and revenue attributable to the largest customer included therein amounted to approximately 4%. Purchases from the Group's five largest suppliers accounted for approximately 63% of the Group's total purchases for the 15 months period from 1 January 2018 to 31 March 2019 and purchases from the largest suppliers included therein amounted to approximately 27%.

None of the Directors, their respective associates or any Shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in any of the lessee or customer of the Group for the 15 months period from 1 January 2018 to 31 March 2019.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors was interested in any business apart from the Group's business, which competed or was likely to compete either directly or indirectly with business of the Group during the 15 months period

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, there was sufficient public float throughout the 15 months period from 1 January 2018 to 31 March 2019 and as at the latest practicable date prior to the issue of this annual report.

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

During the 15 months period from 1 January 2018 to 31 March 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INDEMNITY OF DIRECTORS

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

AUDITOR

During the period, the company announced that PKF Hong Kong Limited ("PKF") has resigned as the auditor of the Company with effect from 19 December 2018. The Board of Directors has resolved, with the recommendation from the audit committee of the Company, to appoint Ernst & Young as the new auditor of the Company with effect from 19 December 2018 to fill the vacancy following the resignation of PKF, and to hold office until the conclusion of the next annual general meeting of the Company.

On behalf of the Board

Kan Che Kin, Billy Albert
Chairman

Hong Kong
27 June 2019

Environmental, Social and Governance Report

INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

This Environment, Social and Governance Report (the "ESG Report") summarises the environmental, social and governance ("ESG") initiatives, plans and performance of China LNG Group Limited (the "Company") and its subsidiaries (the "Group" or "we") and illustrates its commitment to sustainable development.

As a comprehensive regional liquefied natural gas ("LNG") solutions provider, the Group endeavours to develop retail, trading and transportation businesses in the People's Republic of China (the "PRC") which leverage on the safety, reliability and cleanliness of LNG as an energy source. The Group agrees it has responsibility regarding the environmental impact of its business, and therefore regards sustainable development as an ESG management policy. The Group is committed to handling ESG issues effectively and responsibly. As they are integral to our core business strategy, we believe they are the key to our continued success.

ESG GOVERNANCE STRUCTURE

The Group has appointed employees from different departments to form an ESG Taskforce (the "Taskforce"), responsible for collecting information relevant to our ESG aspects for preparing the ESG Report. The Taskforce reports to the Board of Directors (the "Board") and assists in identifying and evaluating the Group's ESG risks and the effectiveness of its internal control mechanisms. The Taskforce also examines and evaluates various aspects of our ESG performance, such as in the areas of environment, health and safety, labour standards and product responsibility. The Board sets the general direction of the Group's ESG strategy while ensuring effective control of ESG risks and internal control mechanisms.

REPORTING SCOPE

The ESG Report covers the Group's LNG businesses in the PRC, including sales and distribution of LNG and provision of LNG logistics services in the context of ESG performance. As these businesses contributed to approximately 98% of the Group's total revenue, therefore they were selected as the basis for the ESG Report. Unless specified otherwise, we obtained ESG key performance indicator ("KPI") data through the Group's operational control mechanisms. In future, we will expand the scope of disclosure as the Group's data collection system is more matured and its sustainable development work is more enhanced.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") under Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited.

The Group's corporate governance practices are detailed in "Corporate Governance Report" of the 2019 Annual Report.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the period from 1 January 2018 to 31 March 2019 (the "Reporting Period").

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a core element of the Group's sustainability work. We maintain mechanisms to facilitate regular communication with stakeholders in order to understand and address their concerns. The Group communicates with major stakeholders through different communication channels, also enables the Group to report its strategic sustainable development plan and its performance to stakeholders on a regular basis, and to consult a range of parties for their opinions and demands, ensuring that the Group's business practices meet shareholders' expectations. The Group considers the expectations of different stakeholders and continuously improves its performance through cooperation to create greater value for society.

The Group's major stakeholders include the Board, employees, government and regulatory authorities, customers, suppliers, communities, shareholders, institutional and individual investors, media and non-governmental organisations ("NGO"). We communicate with them on relevant issues through a variety of channels. Shown below are these channels as well as an overview of stakeholders' expectations and demands:

Stakeholders	Communication channels	Expectations and demands
The Board	• Regular board meetings • Daily communications and reporting	• Compliant operations • Financial results • Corporate sustainable development
Employees	• Training activities • Team building activities • Regular performance assessment • Staff meetings • Daily communications and reporting	• Career development • Health and safety • Remuneration and benefits • Equal opportunities
Government and regulatory authorities	• Daily communications and reporting • Compliance management • Self tax-reporting • Information disclosure • Written communications wherever appropriate	• Implementation of policies • Compliance with rules and laws • Tax payment as required by law • Business ethics • Community partification
Customers	• Customer activities • Satisfaction questionnaire • Telephone and face-to-face meetings	• Customer information and privacy protection • Business integrity and ethics
Suppliers	• Meetings • On-site inspection • Regular assessment • Exchanges and mutual visits	• Fair competition • Business ethics and reputation • Product quality • Cooperation with mutual benefits
Communities	• Promoting employment • Community activities • Community investments	• Compliant operations • Promoting community development • Environmental protection
Shareholders, institutional and individual investors	• Annual general meeting and notices • Regular corporate publications (including financial statements) • Circulars and announcements wherever necessary • Corporate website	• Compliant operations • Financial results • Corporate sustainable development
Media	• Corporate website • Circulars and announcements	• Compliant operations • Promoting community development • Environmental protection • Business ethics • Health and safety
NGO	• Corporate website • Circulars and announcements	• Promoting community development • Environmental protection • Health and safety

MATERIALITY ASSESSMENT

Management and staff from the Group's major operations participated in the preparation of the ESG Report by assisting in reviewing our operations, identifying relevant ESG issues, and assessing the importance of matters relating to our businesses and stakeholders. Based on the assessment of significant ESG issues, a data collection questionnaire was prepared to collect information from relevant departments and business units.

The following table summarises the material ESG issues included in the ESG Report:

Environmental

Exhaust gas emissions	Greenhouse gas ("GHG") emissions	Sewage treatment
Waste management	Energy management	Water resource management
Providing alternative energy option	Prevention of construction pollution	Environmental protection activities

Social

Employment, promotion and dismissal	Remuneration and Benefits	Equal opportunities
	Employee care	Safety management system
Safety training	Training management	Prevention of forced labour
Prevention of child labour	Supplier management	Customer service and privacy
Product safety	Internal audit system	Corporate social responsibilities

The Group confirms that it has established appropriate and effective management policies and internal control systems for ESG issues and that the disclosed contents comply with ESG Reporting Guide requirements. We will perform a more detailed ESG Report in respect to stakeholder concerns in the ESG Report. At the same time, results of the materiality assessment will serve as a guide for formulating ESG strategies and plans for the next year, and will drive the sustainable development process.

CONTACT US

We welcome stakeholders' opinions and suggestions. Please fax your advice relating to our ESG performance to (852) 3691 8282.

A. ENVIRONMENTAL

A1. Emissions

General Disclosure and KPIs

As a comprehensive regional LNG solutions provider, the Group strives to reduce pollutant emissions through operating a safe, reliable and clean LNG energy source. It has actively responded to the state Energy Utilisation Policy and the 13th five-year plan by providing safe and reliable clean natural gas energy, which facilitates the structural adjustment of the PRC energy sector. The Company's stringent environmental protection policy enables it to implement environmental protection concepts in the critical areas of engineering design, construction and operations. With the aim of reducing energy consumption and GHG emissions, the Group is exploring operating models with reduced environmental impact, and recognises the importance of environmental management, and strives to protect the environment as part of its social responsibility commitment.

The Group formulates and strictly executes energy management regulations, waste control procedures and hazardous waste management systems. This enables it to identify the emissions generated by its business, and monitor the emissions of various exhaust gases, greenhouse gases and waste water and the generation of hazardous and non-hazardous waste, ensuring they are in compliance with national standards. The latter include second-level standards of the prevailing Ambient Air Quality Standards, the IV type standard of the prevailing Environmental Quality Standard for Surface Water, the 2~4 type standard of the prevailing Environmental Noise, and the third-level standard of Discharge Limits of Water Pollutants.

The Group also fully complies with the Environmental Protection Law of the PRC, the Law of the PRC on Prevention and Control of Water Pollution, the Law of the PRC on Prevention and Control of Atmospheric Pollution, the Law of the PRC on the Prevention and Control of Environmental Noise, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes, and other laws and regulations relating to environmental protection. Its various emissions reduction measures are established and implemented accordingly. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to exhausts gas and GHG emissions, discharges into water and on land, or generation of hazardous and non-hazardous waste with a significant impact on the Group.

Exhaust Gas Emissions

The Group's exhaust gas emissions are mainly produced through fuel combustion when transporting LNG. As such, the Group established a Vehicle Transportation Safety Management System to control fuel consumption and reduce exhaust gas emissions and help fulfil its environmental responsibilities. Particular measures in this area are as follows:

- Vehicle speed limits to avoid excessive fuel consumption;
- Vehicle refuelling at designated filling stations to prevent use of low quality LNG and reduce exhaust gas emissions per unit of gas consumption; and
- Increased control measures relating to fuel consumption (to be described in the 'Energy Management' section of Aspect A2).

In 2017, the Group had outsourced LNG transportation services, and we were therefore unable to collect emission data for the vehicles used. As the Group operated its own LNG transportation services business instead of contracted out during the Reporting Period, we were able to collect the corresponding vehicle emissions data, as well as identifying the type and total amount of fuel used. LNG was used by most of the Group vehicles, which is relatively environmental friendly. During the Reporting Period, the emission of Sulphur Oxide was minimal due to the use of LNG, and the Group's major vehicle gas exhaust emissions performance was as follows:

Type of Exhaust Gas	Unit	Total emissions
Nitrogen Oxide	tonnes	83.42
Particulate Matter	tonnes	6.09

GHG Emissions

The Group's principal GHG emissions are generated from the fuel consumption of vehicles during transportation (Scope 1) and by purchased electricity (Scope 2). The Group has adopted environmental protection, energy and water saving and fuel consumption control measures to reduce GHG emissions during operations (relevant measures are detailed in Aspect A2 "Energy Management"). By implementing such GHG emissions reduction measures, employee awareness of GHG emissions reduction was enhanced.

The Group's GHG emissions and its intensity performance were as follows:

Indicator[1]	Unit	Emissions
Direct GHG emissions (Scope 1) — Vehicle fuel	tCO_2e	7,746.50
Direct GHG emissions (Scope 1) Intensity[2]	tCO_2e/million HKD revenue	2.96
Indirect GHG emissions (Scope 2) — Purchased electricity	tCO_2e	351.30
Indirect GHG emissions (Scope 2) Intensity	tCO_2e/million HKD revenue	0.13
Total GHG emissions (Scope 1 and 2)	tCO_2e	8,097.80
Total GHG emissions (Scope 1 and 2) Intensity	tCO_2e/million HKD revenue	3.09

Note:

1. GHG emissions data are presented in tonnes of carbon dioxide equivalent, with reference to, including but not limited to, the "the GHG Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, the latest released emission factors of China's regional power grid basis, "How to prepare an ESG Report? — Appendix II: Reporting Guidance on Environmental KPIs" issued by the Hong Kong Stock Exchange, "Global Warming Potential Values" from the IPCC Fifth Assessment Report and the Compilation of Air Pollutant Emission Factors issued by the United States Environmental Protection Agency.

2. During the period from 1 January 2018 to 31 March 2019, the revenue of the Group's sales and distribution of LNG and provision of LNG logistic services amounted to approximately HK$2,612,665,000. Such data will also be used to calculate other intensity data.

Sewage Treatment

The Group discharged domestic sewage during its daily operation, the domestic sewage was purified and discharged into municipal network through underground sewage treatment system, and then sent to its regional water purification plant for handling. Specific measures to reduce sewage discharge are detailed in the "Water Resource Management" section of Aspect A2.

The Group's sewage discharge and its intensity performance were as follows:

Type of sewage	Unit	Discharge
Domestic sewage	m^3	7,057.91
Intensity	m^3/million HKD revenue	2.70

Waste Management

The Group identifies and classifies waste, storing and disposing it in a centralized manner. In office, the Group has set up a unified recycling box, designated responsible persons to dispose waste in a timely manner, and maintains a clean environment around the recycling box. The Group has taken specific measures for handling the following categories of solid waste.

Hazardous Waste

The principal hazardous waste discharged by the Group is lubricant oil used in vehicle maintenance, including engine, brake, automatic transmission and gear lubricants during the vehicles maintenance. During routine vehicle maintenance, the Group reminds technicians of the appropriate use of lubricant oil to avoid any leakage. Hazardous waste generated by the Group was also handled by a qualified third-party to reduce pollution as much as possible. The Group also reduced and in some cases eliminated the use of harmful materials. Through such measures, the Group did not generate a large amount of hazardous waste during the Reporting Period.

The Group's total hazardous waste discharged was 10.58 tonnes, and the major hazardous waste discharge and its intensity performance were as follows:

Hazardous waste	Unit	Discharge
Lubricant oil	tonnes	10.58
Intensity	tonnes/million HKD revenue	0.004

Non-hazardous Waste

The principal non-hazardous waste discharged by the Group include waste paper, old tyres and general waste. The Group requires all departments and employees that generate solid waste to adopt measures for its collection, sorting and storage. Each department must indicate containers or designated locations for collecting solid waste. Recyclable solid waste is sorted and stored in a designated place, and then recycled after a certain amount is accumulated. Non-recyclable production waste and domestic waste are collected and handled by qualified contractor.

The Group has implemented the following measures to reduce its waste, its carbon footprint and environmental impact:

- Encouraged doubled-sided printing;
- Posted reminders to reduce waste near rubbish or recycling bins;
- Supported a waste recycling plan, all recyclable materials are centralized for collection by a qualified recycler; and
- Old tyres will be collected within the Group to increase the proportion of recycled waste.

The Group disseminates waste reduction knowledge to employees through promotion boards, internal newsletters and campaigns. Through the initiative mentioned, employees waste reduction awareness has been raised. The Group also participates in a waste recycling and re-use scheme in which most of consumed materials (especially old tyres) are collected and recycled by contractor for re-use. 100% of the Group's old tyres are recycled for use in various products, rather than being sent to landfill. These measures demonstrate the Group's determination to preserve the environment and its effective work in waste reduction.

The Group's performance in terms of discharge of principal non-hazardous waste and its intensity were summarised below:

Non-hazardous waste	Unit	Total consumption	Total amount recycled	Waste volume
Paper	tonnes	12.92	9.78	3.14
General waste	tonnes	13.78	11.54	2.24
Tyres	tonnes	35.40	35.40	–
Total amounts	tonnes	62.10	56.72	5.38
Total intensity	tonnes/million HKD revenue	N/A	N/A	0.0021

A2. Use of Resources

General Disclosures and KPIs

The Group strives to use resources effectively and requires its employees to reduce unnecessary energy consumption. We continuously monitors the environmental impact of its business operations, promotes green operational concepts and minimize the environmental impacts brought by the Group's operation. The Group attaches great importance to its overall energy consumption, explaining the standardized use of different types of energy and the responsibilities of each department to department heads, and assigned specialised staff to monitoring of each department's energy consumption regularly. Incidents of abnormal consumption are immediately investigated and solutions will be identified.

Energy Management

The Group's principal energies consumed during routine production and operation are electricity and fuel via transportation. The Group has established energy conservation principles for equipments, and requires employees to implement a range of energy saving measures. These are as follows:

- Switching off computers (host or monitor) when employees are away for extended periods; switching to standby or sleep mode during employee lunch breaks
- Using of office appliances with energy labels;
- Switching off all appliances when not in use;
- Enhancing maintenance of air-conditioning systems, including washing tubes, cleaning filters, adding oil to the motor, etc, to reduce energy consumption;
- Overhauling and maintaining of vehicles regularly, in order to reduce fuel consumption; and
- Requiring transportation personnel to use best designated routes, reducing distances between destinations as much as possible.

Meanwhile, the Group's Human Resources Department is responsible for promoting reductions in electricity and fuel usage. It regularly reviews the performance of each department in these areas. Department heads are responsible for the promotion, monitoring and inspection of electricity saving and control of fuel consumption in their respective departments. Departments with large consumption of electricity and fuels are responsible for the maintenance and overhaul of relevant equipments. The Group raised the energy saving awareness of employees through such energy saving measures.

During the Reporting Period, the Group's average monthly electricity charges increased by approximately three times when compared with 2017. This was due to an increase of purchased electricity by the Group's 10 new subsidiaries and an expansion of the sales and distribution of LNG business sector. The Group's energy consumption and its intensity during the Reporting Period are summarised below:

Energy Type	Unit	Consumption
Electricity	MWh	545.76
Electricity intensity	MWh/million HKD revenue	0.21
Petrol[3]	litre	502,269.87
Petrol intensity	litres/million HKD revenue	192.24
Diesel oil[3]	litre	13,888.63
Diesel oil intensity	litres/million HKD revenue	5.32
LNG[3]	litres	2,280,630.00
LNG intensity	litres/million HKD revenue	872.91

Note:

3. Petrol, diesel oil and LNG consumption are equivalent to 4,679.47 MWh, 147.73 MWh and 35,224.16 MWh respectively, the conversion was with reference to the conversion provided on US Energy Information Administration Energy Conversion Calculators.

Water Resource Management

The Group's use of water resources mainly comprises water used for domestic purposes. The Group is not heavily reliant on water resources, and its domestic water consumption makes only a limited impact. To create further water savings, the Group promotes water conservation concepts to its employees. The Group has also constructed a domestic sewage treatment system whose discharged output meets all relevant standards.

The Group has established the following water saving regulations:

- Check water facilities for leakages or malfunctions. Should these occur, responsive measures should be taken, or the situation should be reported to supervisors. A plan should be established to prevent long-term leakage of production and domestic water;
- The discharge of domestic sewage should comply with relevant government laws and regulations;
- Water pipes should be regularly checked for "water running, seeping, dripping and leaking, and
- Use of water resources and effectiveness of water saving measures are to be reviewed at the environmental management meeting. Whenever necessary, further effective water resources management measures should be proposed.

The Group also posts water conservation information and reminders on its premises to raise the awareness of employees. During the Reporting Period, the Group's average monthly water charges increased by approximately three times due to the addition of 10 new subsidiaries and an expansion of the sales and distribution of LNG business sector.

The Group's water consumption and its intensity performance are summarised below:

Total water consumption (m^3)	Intensity (m^3/million HKD revenue)
7,057.91	2.70

Due to the geographical location of our operation, we do not have any issue relating to accessing appropriate water sources.

Use of Packaging Materials

Due to the nature of its business, the Group does not produce any finished product, does not possess any industrial facilities, and therefore does not consume a significant amount of packaging materials in its routine operations.

A3. The Environment and Natural Resources

General Disclosure and KPIs

The Group is keenly aware of its impact on the environment and use of natural resources, and strives to use best practices in regard to environmental protection. In addition to complying with relevant environmental laws and regulations and international standards, the Group formulated policies relating to protecting the environment and natural resources, and has integrated the concept into its internal management and routine operations with the aim of achieving environmental sustainability.

Providing Alternative Energy Option

The Group has responded to the state's energy structural adjustment policy by continuously supplying green energy in support of urban development. Under the state's 13th five-year plan and the Energy Working Report dated 24 May 2011 issued by National Energy Administration, related work of LNG vehicle utilisation and "coal-to-gas" conversion are encouraged. The Company has encouraged industrial users to upgrade their boilers and large furnaces, encouraged vehicle and vessel users to use natural gas fuel, and provided complementary gas supply services to all user types in the interest of saving energy, reducing emissions and improving the environment. The Group also participates in coal-related work which provides several rural areas and small industrial users with natural gas solutions.

Prevention of Construction Pollution

The Group collaborates with local government to plan gas stations and pipelines, and makes adjustments to these plans from time to time based on actual needs. We strive to consolidate as many different functions into each gas station as is practical in order to save land resources. Hydrogeological survey and pipeline routing optimisation is carried out in advance of high-pressure pipeline construction, as well as other preliminary preparations such as geo-hazard and environment assessments and soil and water conservation resolution. We test and monitor dust, noise and solid waste at construction sites to minimise their harmful effect on the local environment. During construction, the Group uses measures such as cleaning vehicle tyres, centralising disposal of waste water and mud and applying sound absorption and insulation techniques to minimise air, water and noise pollution.

Promoting Environmental Protection Activities

Each of the Group's project companies organises activities such as tree planting and bicycling to promote environmental protection. The Group invites its staff and its customers to support its environmental protection initiatives by taking part in activities such as green planting, and initiatives for a paperless office and low-carbon travel.

B. SOCIAL

B1. Employment

General Disclosure

The Group complies with the Labour Law of the PRC, the Labour Contract Law of the PRC and Regulations on Work-related Injury Insurances, as well as other applicable laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance of laws and regulations in respect to human resources.

The Group follows a people-oriented development path with an emphasis on staff management, including the "Staff Management System" which covers employment, promotion and dismissal, remuneration and benefits, equal opportunities, and employee diversity, etc. It endeavours to create a better working environment for staff, reduce exposure to labour employment risks, and effectively eliminate the use of child and forced labour.

Employment, Promotion and Dismissal

At the start of their employment, each employee enters into a written labour contract with the Group. The Company requires that employees should provide his/her complete personal information and provide relevant documents such as academic certificates, original copy of proof of identity, proof of contract termination issued by former employers, medical examination certificates, etc. The human resources department will verify and photocopy the original copies. All information and materials provided should be true and valid.

Employee promotions are not solely based on length of service, but also performance, job-specific skills, experience, ability and attitude. Individuals are evaluated on their work performance, behaviour and attitude. Results serve as the basis for personal and career development as well as determining remuneration. Performance assessments also enable the Company also carries out performance management of employees. Performance management aims to enhance employee communication and promote their development. Employees and their immediate supervisors may engage in candid, public performance communications and feedback. The human resources department is responsible for monitoring and managing the results of performance assessment, which serve as the basis for year-end bonuses, basic salary increments, promotions and position adjustments. The results are categorised as 'excellent', 'good', 'pass' or 'fail'. If an employee's performance is assessed as a 'fail', it implies that they are incompetent, not entitled to a salary increment or promotion in the next 12 months, or to be awarded a bonus for the assessment period. The Company has the right to adjust the employee's position or arrange training for him/her, and establish performance improvement and assessment targets. Should the employee still fail the assessment, it can be taken as a basis for the Company to terminate his/her labour contract.

The Group can unilaterally terminate a labour contract in any one of the following situations:

(1) Being proved unqualified for employment during the probation period;

(2) Being found in serious violation of labour disciplines or the Group's rules and regulations;

(3) Having engaged in serious gross negligence and malpractice, or having caused significant losses to the Group;

(4) Having establishing labour relations with another employer at the same time, which seriously affects completion of the Group's work tasks, or refuses to make corrections upon the request of the Group;

(5) Having used such means as deception or coercion, or taking advantage of the Company's difficulties, to cause the Company to conclude an employment contract, or to make an amendment thereto, that is contrary to the Company's true intent; and

(6) Being investigated for criminal liability according to law.

Remuneration and Benefits

The Group follows a people-oriented development path with an emphasis on staff management, including under the "Staff Management System". It endeavours to create a better working environment for staff, reduce exposure to labour employment risks, and effectively eliminate the use of child and forced labour.

The Group is implementing the five-day week and eight-hour day working arrangement. Its staff members enjoy all holidays set by the state and local governments and are entitled to paid leave ranging from five to 15 days, depending on their length of service. Employees are entitled to five insurances, a housing fund and other benefits. The Group also provides commercial health and accident insurance to employees.

The Group is implementing a master budget management regarding remuneration, which comprises a performance-based reward system that aims to motivate staff to contribute to the Group. An incentive scheme linking the remuneration of management to the Group's performance has also been established, forming a floating mechanism for management remuneration.

Employee remuneration includes basic salary, allowance and other cash income of any form such as bonuses. The Company will deduct amounts payable for social insurance, provident fund and income tax from employees' monthly salaries, and direct the deducted amounts on the employees' behalf to the appropriate government authorities. The Group reviews and adjusts employee remuneration according to major factors such as operating conditions, prevailing market rates and individual performance on a regular or irregular basis. The Group participates in social insurance and housing funds in accordance to state laws and regulations. The benefits offered by the Company also include:

(1) Supplementary business insurance: applicable to full-time employees of the Company, including group term life insurance, group personal accident insurance and group hospital and surgical insurance; and

(2) Medical check-up scheme: The Company will arrange medical check-ups for employees on a regular basis. This scheme is applicable to full-time employees who have served more than three months.

Equal Opportunities

The Group has made solid progress in human resources development and management. It has promoted standardisation, professionalism, marketisation and globalisation of its talent pool, and strengthened its human resources management in order to further enhance the training of talent. New initiatives adopted for main human resources tasks are as follows:

(1) Implemented a talent strategy to further enhance training, strove to build a talent team with strong technical skills and a professional work culture; and

(2) Deepened three systematic reforms. In 2016, based on the "fixed position, fixed schedule, fixed staff" scheme, benchmarking other advanced enterprises in the same industry in the PRC, and taking into consideration the performance assessments of all staff, the Group progressively adopted a dynamic management approach based on the requirements of positions and annual performance appraisal results, in compliance with relevant laws and regulations.

The Group's recruitment and employee development are fair and objective. As long as an individual has relevant qualifications, achievements, skills and experience, they can be employed as an employee or consultant regardless of their personal/familial relationship with other Company employees. The same principal of fairness is applied to remuneration and benefits, promotion and position adjustment, and the employee's future development.

Employee Care

The Group has a well-established system of fully executing national regulations and standards. We educate our staff on matters relating to production safety and occupational health, and ensure both through implementation of a comprehensive Operational Safety and Management System Manual, enhanced staff training, daily supervision, and quality and safety standardisation. In the course of their implementation, the Company maintains employer's liability insurance to protect staff interests. The Group cares for its female staff, has worked to improve staff's working and living environments, and provides annual medical check-ups. We also provide complementary commercial health insurance and medical support to reduce the financial burden on staff members. The Group frequently holds activities to congratulate staff members on their birthdays.

B2. Health and Safety

General Disclosure

The health and safety of employees is of paramount concern to the Group. Each subsidiary has established regulatory systems for production safety and occupational disease prevention and control. Specific departments are assigned to oversee production safety and reduce occupational health hazards.

Following a policy of "placing safety as top priority, taking precautions as the main task and providing comprehensive treatment", the Group emphasises major responsibilities in ensuring production safety. It conducts promotion, education and training on production safety, including for new staff members. The Group continuously works to meet production safety standardization targets. Large-scale inspections are performed regularly to eliminate potential hazards in a timely manner. The Group also arranges annual medical check-ups for staff members. These measures have enhanced our level of occupational health and safety and environmental management.

We fully enforce laws and regulations such as the Labour Law of the PRC, Prevention and Control of Occupational Diseases Law of the PRC and the Fire Prevention Law of the PRC. During the Reporting Period, the Group did not identify any material issues violating laws and regulations relating to employee health and safety. Nor were there any deaths or serious accidents relating to production safety. The overall state of production safety and the Group's environmental condition continued to steadily improve, while the overall level of safety and environmental performance gradually improved.

Safety Management System

In order to further establish a long-term mechanism of corporate production safety, enhance the quality of corporate safety management, protect the life and property of employees and ensure the consistent development of its safety and economic culture, the Group's logistics and trade department formulated safety production management systems in reference to the requirements of the Administrative Provisions on Road Transportation of Dangerous Goods (Order of the Ministry of Transport [2013] No. 2) and the Shanghai Regulation on the Safety Management of Hazardous Chemicals (Order of Shanghai Municipal People's Government No. 56, promulgated on 16 February 2006).

To meet market demand and customer expectations, the Group has moved to optimise its health, safety and environmental management. According to the Q/SHS0001.1-2001 Safety Environment and Health (HSE) Management System standard and the requirements of GB/T24001-2004 "Environmental Management System and Specifications and Usage Guidelines" and GB/T28001-2001 "Occupational Health and Safety Management System Specifications", the Group's natural gas department issued a "HSE Management System Manual" on 1 February 2019. All employees must follow the requirements of the HSE management system, implement management policy and the provisions of the implementation manual, and strive to achieve the HSE objectives and service commitments of the Group. Externally, the Group demonstrates its assurance of occupational health and safety and environmental work and fulfils its commitment to customers. Internally, all employees are engaged in the whole process of carrying out all-round occupational health and safety and environmental work.

Safety Training

Production safety is a fundamental right of labour, and company employees also bear its obligation. Every employee is required to know how to perform their work without causing injury to themselves or others, and without being hurt by others. Employees are obligated to abide by the law, obey management, and accept training to improve their ability to identify hazards, protect themselves and protect the Company.

The Group's headquarters and its subordinate companies offer regular employee safety training which provides a solid foundation for improvements to their emergency plan. The training aims to strengthen employees' safety knowledge in the hazardous chemicals industry to prevent accidents. This training has greatly improved the safety quality of our employees, as well as improving the identification and rectification of safety management inadequacies in routine operations.

B3. Development and Training

General Disclosure

Training Management

The Group regards our staff as the most important asset and resource. We recognise the valuable contribution our talents make to the continued success of the Group. We are committed to inspiring our human capital towards delivering excellence. This is achieved through development of training strategy that focuses on creating value and serving the needs of our customers, our talents and the society. In light of this, the Group provides regular training and development programmes for our employees.

To ensure the effectiveness of the training programme, the Group developed relevant policies covering training management and training procedures, and control the training related processes. A training plan is developed by management based on the requirements from various departments and employees. Training content is regularly updated to ensure contents are relevant to stakeholders' changing needs such as laws and regulations, market trend, product trend and customer behaviour change. The Group encourages and supports employees to participate in personal and professional training to fulfill the needs of the Group's development. The Group also encourages the culture of sharing knowledge and experience. On the other hand, we provide on-the-job training to new employees of the Group.

B4. Labour Standards

General Disclosure

Under its "people-oriented" development philosophy, the Group attaches a high priority to employee management. It has accordingly established an "employee management system" and other systems to provide a good working environment, reduce labour risks and effectively eliminate child and forced labour.

The Group complies with all laws and regulations relating to the prevention of child and forced labour, including the Labour Law of the PRC, the Special Protection Regulations for Juvenile Workers, and Provisions on the Prohibition of Using Child Labour. During the Reporting Period, the Group did not record any material matters relating to violations of labour laws and regulations in respect of child and forced labour.

Prevention of Forced Labour

The Group implements a five-day a week, eight hours a day system of work. Employees enjoy all holidays prescribed by the PRC and local governments, as well as paid leave. Depending on the duration of employment, the length of paid leave can vary between five to 15 days.

The working hours for full-time employees are no more than eight hours per day, with the average weekly working hours at no more than 40 hours. The salary of full-time employee is calculated on a monthly basis. In respect to part-time employees (referring to fixed employees with an average of no more than four hours of daily working hours and no more than 24 hours of accumulated weekly working hours), their wages are calculated in hours.

Prevention of Child Labour

The Group fully implements the Provisions on the Prohibition of Using Child Labour and the Provisions on the Special Protection of Juvenile Workers of the State Council, and complies with the BSCI standards. During the recruitment process, the Group carries out a rigorous inspection of each candidate's identity card. Candidates may only begin their employment once their photos have been verified. The Group also checks candidates' ages to avoid the use of child labour. If child labour is inadvertently used, immediate remedial measures are required. "Child labour" means a minor of under 16 years of age who works in any part of the Group.

The Group implements the Provisions on the Prohibition of Using Child Labour and the Provisions on the Special Protection of Juvenile Workers of the State Council, and complies with the BSCI standards. During recruitment, the Human Resources Department must conduct a rigorous inspection of the identity card of the candidates and verify the photo before the candidates were formally employed.

B5. Supply Chain Management

General Disclosure

Supplier Management

The Group regulates supplier management, strictly implements a credit approval process, and implements transparent management of procurement bidding. Supplier selections follow the processes below:

(1) Thorough review of the qualifications, technical standards and production capacity of the nominated supplier, suppliers who pass this review are included on the list of qualified suppliers.

(2) Select qualified suppliers to purchase materials from the list of qualified suppliers. Tender invitations are sent to more than five qualified suppliers, preliminary evaluation review of the bids are conducted. When the suitable supplier is finally determined, procurement contract will be signed based on the comprehensive evaluation results.

In addition, the Group also takes measures to examine whether its major suppliers are in compliance with relevant laws and regulations and other required standards for the environment, health, safety, forced labour and child labour, and examine the suppliers' awareness in the above aspects.

B6. Product Responsibility

General Disclosure

The Group attaches great importance to the product quality and corporate reputation. We actively safeguards the quality of its products and service with its internal control process. The Group also maintains on-going communication with its customers to ensure understanding and satisfaction of their demand and expectations, as well as to constantly improving its services by knowing their satisfactory rates.

The Group actively complies with laws and regulations in relation to consumers' rights such as the"Law of the People's Republic of China on Protection of Consumer Rights", the "Advertising Law of the People's Republic of China" and the "Patent Law of the People's Republic of China". During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations in relation to privacy issues and compensation regarding health and safety, advertisement, labelling, and products and service provided.

Customer Service and Privacy

The Group reviews all complaints from customers, suppliers and partners in accordance with internal procedures and guidelines, and takes appropriate follow-up actions. If applicable, the Group will conduct relevant investigations and resolve them and make improvements as needed. The Group believes that complaints are a good opportunity to get feedback from the community and customers, so that the need to improve services and improve policies can be identified.

In addition, the Group manages customer profiles on a prudent and meticulous basis to prevent the leakage of customer privacy. Customer information and data is treated as part of the Group's resources, sales, sharing, or disclosure of which is not permitted regardless of any purpose. Each employee is required to safeguard customer information and data in accordance with the corporate regulations.

Product Safety

The Group attaches great importance to the safety of the LNG business, and complies with the relevant agreements on the transportation of dangerous goods, such as the "Provisions on the Administration of Road Transport of Dangerous Goods". We will conduct careful checks on vehicles transporting LNG prior to departure to ensure they will not result to unnecessary personal and property risks during the transportation process and sales. Before the trucks enter the industrial enterprise factories for loading and unloading LNG, we will check the leakage and damaging level of containers, tanks, packaging containers, trucks and trailers, as well as safety equipment, and check the name, specifications and quantity with the waybill. If there are any abnormalities and inconsistencies with the waybill, the loading should be rejected, and resume the loading after the problems are solved.

The Group also has strict requirements for purchasing LNG. We will require to obtain relevant gas quality reports before purchasing to ensure the purchased LNG meets the national temperament standards before selling, so to protect customers' safety and guarantee the quality of LNG.

Advertising and Labelling

Based on the nature of the business of the Group, the Group only conducts limited publicity activities. Therefore, the Group's business operations do not involve significant advertising and label related risks.

B7. Anti-corruption

General Disclosure

In accordance with the "Corporate Governance Code" of the Hong Kong Stock Exchange, the "Corporate Governance Report" and the laws and regulations of the PRC and the relevant regulations and systems of the Group, we independently exercise internal audit authority for, assess the risk management of, and test the operational segment, financial system and economic efficiency of each department and each subsidiary, and inspect the completeness and effectiveness of the internal control system. For this purpose, the Group has established an Internal Audit Department which is led by the Internal Audit Executional Committee and issued the "Internal Audit Management System of China LNG Group Limited".

We strictly abide by the "Company Law of the PRC", "Tendering and Bidding Law of the PRC", "Criminal Law of the PRC", "Anti-unfair Competition Law of the PRC", "Temporary Provisions on Prohibiting Commercial Bribery" and other laws and regulations. During the Reporting Period, the Group was not aware of any major violations of laws and regulations regarding bribery, extortion, fraud or money laundering.

Internal Audit System

The scope of internal audit covers:

(1) Each subsidiary, management headquarter, department under the Group;

(2) Each project department; and

(3) Other matters and personnel.

The content of the internal audit includes:

(1) Financial activities and financial works which mainly include the regulation of economic activities in relation to financial revenue and expenditure, the implementation and settlements of financial budgets, asset management and operation performance, authenticity, legality and efficiency of financial revenues and expenditures and other financial information, etc.;

(2) The internal control system of the Company, which mainly includes monitoring the soundness of the internal control system, assessing the effectiveness of implementation of the internal control system, and the internal control system's alignment with the expected goal;

(3) Economic business activities, which mainly include inventory receipt and delivery management, selling price management, sales returning amount and other business management processes and controlling measures of the process, the establishment of construction and fixed asset investment projects, funding sources, as well as budgets, settlements, completion and commencement of construction, etc, and joint ventures, associates, cooperative enterprises and project investment capital, property use and its effects; and

(4) The resignation audit, which mainly includes the performance of duties and work handover of senior management of the Company during their term of office, and the implementation of economic responsibility audits during the term of office.

B8. Social Investment

General Disclosure

Corporate Social Responsibility

The Group takes an active stance on assuming corporate responsibility in order to enhance corporate responsibility awareness, perform its social responsibilities. The Group has formulated the Corporate Social Responsibility Policy, and has integrated corporate social responsibility considerations in our operations, engage our stakeholders, and implement responsible corporate governance. We endeavours to achieve the goal of "Tackling Smog, Improving the Environment" by disclosing relevant information to the public:

(1) Nurturing and gradually incorporating the concept of corporate social responsibility into different areas of production and operation of the enterprise.

Over the short period of approximately three years since the commencement of LNG businesses, the Group has responded to the state's environmental protection policy, promoted the effective utilisation of natural gas and development of an environmental protection business, gradually deployed LNG utilisation in every province and city for industrial corporate users, and refined its supply chain system. Collectively these efforts have formed a healthy clean energy industry, greatly reduced pollutant emissions, fulfilled corporate social responsibilities, and earned the Group a sound corporate image. In keeping with its "Tackling Smog, Improving the Environment" concept, the Group has suggested guidelines to promote the development of clean energy and an environmental protection business in the PRC.

(2) Participating in the establishment of public association and platforms

The Group's fundamental platform for communicating with stakeholders has improved its public image and presence. The Group has maintained prompt communication with stakeholders, through issuing documents such as the "Environmental, Social and Governance Report" and making timely disclosures of important information. This has accomplished its social responsibilities to stakeholders (including shareholders, employees, users, media and the community) and natural environment. The above effort demonstrated the Group's dedication to "Tackling Smog, Improving the Environment".

Independent Auditor's Report

To the shareholders of China LNG Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China LNG Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 154, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 January 2018 to 31 March 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the period from 1 January 2018 to 31 March 2019 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter

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

As at 31 March 2019, the gross amounts of receivables under LNG finance lease arrangements, LNG finance lease receivables, loan receivables and accounts receivables arising from dealing in securities and LNG business are HK$36,684,000, HK$35,793,000, HK$187,820,000, HK$54,935,000 and HK$84,487,000 respectively.

As at 31 March 2019, impairment of HK$19,437,000, HK$27,346,000, HK$1,016,000, HK$4,779,000 and HK$5,055,000 were made against receivables under LNG finance lease arrangements, LNG finance lease receivables, loan receivables and accounts receivables arising from dealing in securities and LNG business, respectively, by management. In particular, in assessing the expected credit loss of a loan receivable of HK$127,817,000, management estimated the future cashflows based on the expected disposal price through realising collateral.

Significant judgement and estimation by management are involved in the assessment of impairment, based on the lifetime expected credit loss to be incurred, by taking into account the carrying amount of these receivables, the estimation of future cash flows expected to arise from the settlement of the receivables or realisation of collateral. Both current and future general economic conditions are also taken into consideration by management in the estimation.

The accounting policies, accounting judgements and estimates and disclosures for these receivables are included in notes 2.4, 2.5, 19, 20, 22, 23 and 43 to the financial statements.

Our procedures included reviewing management's assessment on the recoverability of these receivables balances with reference to various factors such as historical settlement trend and settlement received from customers subsequent to the end of the reporting period. We checked the accuracy of the ageing classification of these balances on a sample basis. We also evaluated management's assessment of the credit quality of individual customers based on the customer types and repayment patterns of customers, and examined the underlying value of the collateral. In addition, we examined the information used by management to estimate the loss allowance for these receivables, including testing of the historical default data, evaluating adjustment made to the historical loss rates based on current economic conditions and forward-looking information by checking to the published macroeconomics factors. We also assessed the sufficiency of the disclosures.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment	
As at 31 March 2019, the Group had property, plant and equipment of a net carrying amount of HK$613,703,000 representing approximately 29% of its total assets. Impairment testing was performed when impairment indicators were identified. Impairment loss incurred when the carrying amount of an asset exceeds its recoverable amount. Significant judgement and estimates from management is involved in estimating the recoverable amount of an asset using value-in-use method or fair value less costs of disposal. A range of factors including the estimated life of the asset, future cash flows, discount rate, costs expected to be incurred in replacing an asset and depreciation/obsolescence status of the asset, etc. are involved in the estimation by management with reference to an independent valuation carried out by an external valuer. The accounting policies, accounting judgements and estimates and disclosures for the property, plant and equipment are included in notes 2.4, 2.5 and 13 to the financial statements.	Our procedures included reviewing management's valuation assessments and the valuation report prepared by the external valuer engaged by the Group in which the management's assessment of the recoverable amount was based. We assessed the competence, capability and objectivity of the external valuer. With the assistance of our internal valuation specialists, we discussed with management and the external valuer their valuation methodologies and assessed the basis for selection of valuation model, key estimates and assumptions adopted in the valuation by comparing with market data and historical record, and checking the reasonableness of discount rate to industry practice.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Ka Wing.

Ernst & Young
Certified Public Accountants
Hong Kong

27 June 2019

Consolidated Statement of Profit or Loss

Period from 1 January 2018 to 31 March 2019

	Notes	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
CONTINUING OPERATIONS			
REVENUE	4	**2,670,934**	896,952
Cost of sales		**(2,649,081)**	(899,294)
Gross profit/(loss)		**21,853**	(2,342)
Other income and gains	4	**8,425**	6,448
Selling and distribution expenses		**(38,511)**	(26,089)
Administrative expenses		**(190,162)**	(111,827)
Impairment of receivables under LNG finance lease arrangements	19	**(7,824)**	–
Reversal of impairment of LNG finance lease receivables	20	**2,401**	–
Impairment of loan receivables	22	**(1,016)**	–
Impairment of accounts receivables arising from dealing in securities	23	**(4,779)**	–
Impairment of accounts receivables arising from LNG business	23	**(5,055)**	–
Impairment of interests in associates	18	**(5,070)**	–
Finance costs	6	**(28,345)**	(284)
Share of profits less losses of:			
Joint ventures		**29**	–
Associates	18	**306**	(1,581)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	5	**(247,748)**	(135,675)
Income tax expense	9(a)	**(6,885)**	(16,935)
LOSS FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS		**(254,633)**	(152,610)

Consolidated Statement of Profit or Loss

Period from 1 January 2018 to 31 March 2019

	Notes	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	10	**–**	543
LOSS FOR THE YEAR/PERIOD		**(254,633)**	(152,067)
Attributable to:			
Owners of the parent		**(254,328)**	(123,729)
Non-controlling interests		**(305)**	(28,338)
		(254,633)	(152,067)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
– For loss for the year/period		**(HK4.51 cents)**	(HK2.20 cents)
– For loss from continuing operations		**(HK4.51 cents)**	(HK2.21 cents)
Diluted			
– For loss for the year/period		**(HK4.51 cents)**	(HK2.20 cents)
– For loss from continuing operations		**(HK4.51 cents)**	(HK2.21 cents)

Consolidated Statement of Comprehensive Income

Period from 1 January 2018 to 31 March 2019

	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
LOSS FOR THE YEAR/PERIOD	**(254,633)**	(152,067)
OTHER COMPREHENSIVE INCOME/(EXPENSES)		
Other comprehensive income/(expenses) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(31,971)**	48,353
Release of exchange differences upon disposal of a subsidiary (note 35(a))	**3,625**	–
	(28,346)	48,353
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR/PERIOD	**(282,979)**	(103,714)
Attributable to:		
Owners of the parent	**(275,666)**	(63,584)
Non-controlling interests	**(7,313)**	(40,130)
	(282,979)	(103,714)

Consolidated Statement of Financial Position

31 March 2019

	Notes	31 March 2019 HK$'000	31 December 2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**613,703**	261,086
Prepaid land lease payments	14	**37,721**	–
Goodwill	15	**930**	9,161
Other intangible assets	16	**9,086**	2,794
Interests in joint ventures	17	**132,019**	–
Interests in associates	18	**16,161**	13,676
Deposits for acquisition of plant and equipment		**179,337**	63,344
Deposits for acquisition of land use rights		**89,991**	–
Other assets	13	**305,271**	–
Receivables under LNG finance lease arrangements	19	**9,165**	31,262
LNG finance lease receivables	20	**–**	25,082
Statutory deposits		**250**	250
Total non-current assets		**1,393,634**	406,655
CURRENT ASSETS			
Inventories	21	**21,242**	34,615
Receivables under LNG finance lease arrangements	19	**8,082**	53,046
LNG finance lease receivables	20	**8,447**	68,288
Loan receivables	22	**186,804**	168,774
Accounts and other receivables, prepayments and deposits	23	**350,177**	429,498
Financial assets at fair value through profit or loss	24	**–**	18,911
Bank balances held on behalf of clients	25	**15,247**	44,211
Cash and cash equivalents	26	**100,388**	364,162
Total current assets		**690,387**	1,181,505
CURRENT LIABILITIES			
Accounts payables	27	**77,251**	113,158
Other payables and accruals	28	**550,213**	225,397
Interest-bearing bank borrowings	29	**50,244**	–
Tax payable		**3,319**	5,191
Total current liabilities		**681,027**	343,746
NET CURRENT ASSETS		**9,360**	837,759
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,402,994**	1,244,414

31 March 2019

	Notes	31 March 2019 HK$'000	31 December 2017 HK$'000
NON-CURRENT LIABILITIES			
Obligations under finance lease arrangements	30	**4,736**	–
Loans from a shareholder	28	**493,922**	–
Deferred tax liabilities	9(b)	**3,907**	–
Total non-current liabilities		**502,565**	–
Net assets		**900,429**	1,244,414
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**112,876**	112,322
Reserves	32	**344,932**	649,816
		457,808	762,138
Non-controlling interests		**442,621**	482,276
Total equity		**900,429**	1,244,414

Kan Che Kin, Billy Albert
Director

Li Kai Yien, Arthur Albert
Director

Consolidated Statement of Changes in Equity

Period from 1 January 2018 to 31 March 2019

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Special reserve** HK$'000 (note 32)	**Exchange reserve** HK$'000	**Retained profits/ (accumulated losses)** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2017	112,774	428,029	9,370	(53,514)	357,382	854,041	528,237	1,382,278
Loss for the year	–	–	–	–	(123,729)	(123,729)	(28,338)	(152,067)
Other comprehensive income/(expenses) for the year, net of tax:								
Exchange differences on translation of foreign operations	–	–	–	60,145	–	60,145	(11,792)	48,353
Total comprehensive income/(expenses) for the year	–	–	–	60,145	(123,729)	(63,584)	(40,130)	(103,714)
Shares repurchased and cancelled (note 31(b))	(452)	(26,750)	–	–	–	(27,202)	–	(27,202)
Acquisition of subsidiaries (note 34(b), (c))	–	–	–	–	–	–	3,110	3,110
Acquisition of additional interests in a subsidiary	–	–	–	–	(237)	(237)	237	–
Disposal of interests in subsidiaries	–	–	–	–	(880)	(880)	880	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	(26,043)	(26,043)
Capital contribution from non-controlling interests	–	–	–	–	–	–	15,985	15,985
At 31 December 2017	112,322	401,279*	9,370*	6,631*	232,536*	762,138	482,276	1,244,414
Effect of adoption of HKFRS 9 (note 2.2)	–	–	–	–	(41,360)	(41,360)	–	(41,360)
At 1 January 2018 (restated)	112,322	401,279	9,370	6,631	191,176	720,778	482,276	1,203,054
Loss for the period	–	–	–	–	(254,328)	(254,328)	(305)	(254,633)
Other comprehensive expenses for the period, net of tax:								
Exchange differences on translation of foreign operations	–	–	–	(21,338)	–	(21,338)	(7,008)	(28,346)
Total comprehensive expenses for the period	–	–	–	(21,338)	(254,328)	(275,666)	(7,313)	(282,979)
Disposal of a subsidiary (note 35(a))	–	–	–	–	–	–	(39,953)	(39,953)
Acquisition of additional interests in subsidiaries (note 36)	–	–	(20,964)	–	–	(20,964)	(1,337)	(22,301)
Capital contribution from non-controlling interests	–	–	–	–	–	–	8,948	8,948
Conversion of convertible notes (note 31(c))	554	33,106	–	–	–	33,660	–	33,660
At 31 March 2019	112,876	434,385*	(11,594)*	(14,707)*	(63,152)*	457,808	442,621	900,429

* These reserve accounts comprise the consolidated reserves of HK$344,932,000 (2017: HK$649,816,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Period from 1 January 2018 to 31 March 2019

	Notes	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before tax:			
From continuing operations		**(247,748)**	(135,675)
From a discontinued operation	10	**–**	543
		(247,748)	(135,132)
Adjustments for:			
Gain on disposal of subsidiaries	35	**(3,578)**	(514)
Gain on disposal of items of property, plant and equipment	4	**(242)**	(224)
Gain on disposal of financial assets at fair value through profit or loss	24	**(55)**	–
Bank interest income	4	**(1,525)**	(1,490)
Interest income from loans to third parties	4	**(114)**	(475)
Finance costs	6	**28,345**	284
Share of profits less losses of associates		**(306)**	1,581
Share of profits less losses of joint ventures		**(29)**	–
Depreciation	13	**50,598**	14,842
Amortisation of other intangible assets	16	**377**	259
Amortisation of prepaid land lease payments	14	**415**	–
Impairment of receivables under LNG finance lease arrangements	19	**7,824**	–
Reversal on impairment of LNG finance lease receivables	20	**(2,401)**	–
Impairment of loan receivables	22	**1,016**	–
Impairment of accounts receivables arising from dealing in securities	23	**4,779**	–
Impairment of accounts receivables arising from LNG business	23	**5,055**	–
Impairment of interests in associates	18	**5,070**	–
Fair value changes of convertible notes	33	**(2,259)**	–
Loss on redemption of convertible notes	33	**2,259**	–
		(152,519)	(120,869)
Increase/(decrease) in inventories		**12,584**	(30,476)
Decrease in financial assets at fair value through profit or loss		**–**	183,024
Decrease in bank balances held on behalf of clients		**28,964**	105,979
Decrease in receivables under LNG finance lease arrangements		**56,098**	30,274
Decrease in LNG finance lease receivables		**45,468**	59,883
Decrease/(increase) in loan receivables		**(19,046)**	41,034
Decrease in accounts and other receivables, prepayments and deposits		**(884)**	(238,036)
Increase/(decrease) in accounts and other payables		**(94,977)**	81,989
Cash generated from/(used in) operations		**(124,312)**	112,802
Hong Kong profits tax paid		**(2,903)**	(23,897)
Oversea taxes paid		**(5,776)**	(51)
Net cash flows from/(used in) operating activities		**(132,991)**	88,854

Consolidated Statement of Cash Flows

Period from 1 January 2018 to 31 March 2019

	Notes	**Period from 1 January 2018 to 31 March 2019 HK$'000**	Year ended 31 December 2017 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,523**	1,858
Deposits paid for acquisition of property, plant and equipment		**(175,534)**	(61,350)
Deposits paid for acquisition of land use rights		**(91,007)**	–
Purchase of items of property, plant and equipment		**(378,071)**	(183,659)
Acquisition of land use rights	14	**(39,383)**	–
Proceeds from disposal of items of property, plant and equipment		**15,583**	1,047
Addition of interests in associates		**(7,564)**	(4,698)
Addition of interests in joint ventures		**(132,593)**	–
Advance of a loan to a joint venture	17	**(888)**	–
Acquisition of subsidiaries	34	**(15,849)**	(443)
Disposal of subsidiaries	35	**57,157**	66,064
Purchase of financial assets at fair value through profit or loss		**–**	(18,316)
Proceeds from disposal of financial assets at fair value through profit or loss	24	**18,966**	–
Net cash flows used in investing activities		**(747,660)**	(199,497)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares repurchased	31(b)	**–**	(27,202)
Loans from a shareholder		**464,187**	30,000
Repayment to a shareholder		**–**	(38,015)
Loans from third parties		**49,394**	–
New bank loans		**50,811**	–
Advance of loans from joint ventures	28	**47,907**	–
Acquisition of additional interests in subsidiaries	36	**(22,301)**	–
Capital contribution from non-controlling interests		**8,948**	15,985
Dividend paid to non-controlling interests		**–**	(26,043)
Issuance of convertible notes	33	**33,660**	–
Interest paid on convertible notes	6	**(2,190)**	–
Interest paid on interest-bearing bank borrowings	6	**(905)**	–
Interest paid on loans from third parties	6	**(3,384)**	–
Net cash flows from/(used in) financing activities		**626,127**	(45,275)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(254,524)**	(155,918)
Effect of foreign exchange rate changes, net		**(9,250)**	7,779
Cash and cash equivalents at beginning of the year/period		**364,162**	512,301
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD		**100,388**	364,162

1. CORPORATE AND GROUP INFORMATION

China LNG Group Limited is a limited liability company incorporated in the Cayman Islands and listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at 8th floor, St. John's Building, 33 Garden Road, Central, Hong Kong.

Pursuant to the minutes dated 4 December 2018, the board of directors of the Company resolved to change the financial year end date of the Company from 31 December to 31 March. The consolidated financial statements presented for the current period therefore covered a fifteen-month period from 1 January 2018 to 31 March 2019. The corresponding comparative amounts presented for the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes, which are prepared for the year ended 31 December 2017, may not be comparable with the amounts shown for the current period.

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

There were no significant changes in the nature of the Group's principal activities during the period.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and business	Issued ordinary/ registered share capital		Percentage of equity attributable to the Company		Principal activities
		31 March 2019	31 December 2017	**31 March 2019**	31 December 2017	
China LNG Limited	Hong Kong	**HK$40,000,000**	HK$40,000,000	**100%**	100%	Investment holdings
Key Fit Group Limited	Hong Kong	**HK$700,000,000**	HK$700,000,000	**60.42%**	60.42%	Investment holdings and trading of securities
China Hong Kong Capital Finance Limited [1]	Hong Kong	**HK$14,000,000**	HK$14,000,000	**60.42%**	60.42%	Financial service through money lending business
China Hong Kong Capital Asset Management Company Limited [1]	Hong Kong	**HK$400,000,000**	HK$400,000,000	**60.42%**	60.42%	Provision of securities brokerage and trading services, margin financing and securities investments
港能國際融資租賃有限公司 [1,5,6] (China LNG Finance Leasing Co., Ltd.)*	PRC/ Mainland China	**US$165,000,000 (Paid up US$87,600,000)**	US$165,000,000 (Paid up US$60,000,000)	**60.42%**	60.42%	Finance leasing services for LNG vehicles and equipment

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ establishment and business	Issued ordinary/ registered share capital 31 March 2019	Issued ordinary/ registered share capital 31 December 2017	Percentage of equity attributable to the Company 31 March 2019	Percentage of equity attributable to the Company 31 December 2017	Principal activities
港宇供應鏈管理(上海)有限公司[1,2,6] (Formerly known as 港能綠恩格設備租賃服務(上海)有限公司 Great Trend Investment Management (Shanghai) Co., Ltd.)*	PRC/ Mainland China	**US$10,000,000 (Paid up US$2,136,000)**	US$10,000,000 (Paid up US$2,136,000)	**60.42%**	60.42%	LNG vehicles services and new energy related business
港強天然氣上海有限公司[1,4,6] (Gangqiang Natural Gas Shanghai Co., Ltd.)* ("Gangqiang")	PRC/ Mainland China	**RMB100,000,000 (Paid up RMB15,000,000)**	RMB100,000,000 (Paid up RMB15,000,000)	**60%**	60%	Development and operation of oil-to-gas conversion and LNG refueling facilities on floating barges, development of LNG related technologies, operation of LNG refueling stations, trading of gas ignition equipment and utilisation of new energy sources
港能投資(上海)有限公司[1,2,6] (CLNG Investment (Shanghai) Co., Limited) ("CLNG Investment")	PRC/ Mainland China	**US$100,000,000 (Paid up US$36,625,000)**	US$100,000,000 (Paid up US$31,650,000)	**100%**	100%	Investment holdings
上海港宏融資租賃有限公司[1,6,7] (Shanghai Ganghong Finance Leasing Co., Ltd.)* ("Ganghong")	PRC/ Mainland China	**US$10,000,000 (Paid up US$375,000)**	US$10,000,000 (Paid up US$375,000)	**100%**	100%	Finance leasing services for LNG vehicles and equipment
山東港能能源有限公司[1,3,6] (CLNG Shandong Energy Co., Ltd.)*	PRC/ Mainland China	**RMB10,000,000**	RMB10,000,000	**100%**	100%	LNG supply and management
浙江港能天然氣利用有限公司[1,3,6] (Zhejiang CLNG Natural Gas., Ltd.)*	PRC/ Mainland China	**RMB50,000,000 (Paid up RMB15,000,000)**	RMB50,000,000 (Paid up RMB15,000,000)	**100%**	100%	Construction and operation of natural gas filling stations and LNG supply
河北天道能源儲運有限公司[1,4,6,8] (Hebei Tiandao Energy Storage Transportation Co., Ltd.)* ("Hebei Tiandao")	PRC/ Mainland China	**N/A**	RMB61,230,000 (Paid up RMB53,230,000)	**N/A**	51%	Investment, development, management and operation of LNG storage and transportation projects
港能天然氣有限 責任公司[1,3,6] (CLNG Natural Gas Co., Ltd.)* ("CLNG Natural Gas")	PRC/ Mainland China	**RMB300,000,000 (Paid up RMB394,719,503)**	RMB300,000,000 (Paid up RMB151,485,803)	**100%**	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ establishment and business	Issued ordinary/ registered share capital 31 March 2019	Issued ordinary/ registered share capital 31 December 2017	Percentage of equity attributable to the Company 31 March 2019	Percentage of equity attributable to the Company 31 December 2017	Principal activities
陝西港通能源有限公司 [1,3,6] (Shaanxi Gangtong Neng Yuan Co., Ltd.)*	PRC/ Mainland China	RMB30,000,000	RMB30,000,000	100%	100%	Wholesale of ethanol and liquefied petroleum gas and LNG supply and management
河北德眾燃氣貿易有限公司 [1,2,6,7] (Hebei Dezhong Gas Trading Co., Ltd)*	PRC/ Mainland China	RMB9,590,300 (Paid up RMB8,660,640)	RMB9,590,300 (Paid up RMB8,660,640)	100%	65%	Sales and distribution of LNG, LNG supply and management
湖北港順天然氣有限公司 [1,3,6,7] (Hubei Gangshun Tian Ran Qi Co., Ltd.)* ("Hubei Gangshun")	PRC/ Mainland China	RMB12,000,000 (Paid up RMB12,000,000)	RMB12,000,000 (Paid up RMB12,000,000)	100%	60%	Sales and distribution of LNG, LNG supply and management
寧波港燃汽車銷售有限公司 [1,3,6] (Ningbo Gangran Vehicles Trading Co., Ltd.)*	PRC/ Mainland China	RMB10,000,000 (Paid up RMBNil)	RMB10,000,000 (Paid up RMBNil)	100%	100%	Sales of LNG vehicles
徐州港能能源有限公司 [1,4,6] (CLNG (Xuzhou) Energy Co., Ltd.)*	PRC/ Mainland China	RMB10,000,000 (Paid up RMB4,900,000)	RMB10,000,000 (Paid up RMB4,850,000)	55%	55%	Sales and distribution of LNG, LNG supply and management
港宏天然氣無錫有限公司 [1,4,6] (Ganghong Natural Gas Wuxi Co. Ltd.)*	PRC/ Mainland China	RMB30,000,000 (Paid up RMB1,500,000)	RMB30,000,000 (Paid up RMB1,500,000)	51%	51%	Sales and distribution of LNG, LNG supply and management
港能(天津)貿易有限公司 [4,6] (CLNG (Tianjin) Trading Co., Ltd.)*	PRC/ Mainland China	RMB10,000,000 (Paid up RMB5,000,000)	RMB10,000,000 (Paid up RMB5,000,000)	51%	51%	Provision on LNG logistics services
六安市港能天然氣有限公司 [4,6] (CLNG (Liu An Shi) Co. Ltd.)*	PRC/ Mainland China	RMB10,000,000 (Paid up RMB8,115,456)	RMB10,000,000 (Paid up RMB5,000,000)	60%	60%	Sales and distribution of LNG, LNG supply and management
山東奧海天然氣資源技術有限公司 [2,6,7] Shandong Aohai Natural Gas Technology Co., Ltd.* ("Shandong Aohai")	PRC/ Mainland China	RMB10,000,000 (Paid up RMB6,004,920)	RMB10,000,000 (Paid up RMB6,004,920)	100%	60%	Sales and distribution of LNG, LNG supply and management
河南港運新能源有限公司 [4,6] (Hanan Gangyun Energy Co., Ltd.)*	PRC/ Mainland China	RMB10,000,000 (Paid up RMB3,223,000)	RMB10,000,000 (Paid up RMB3,223,000)	55%	55%	Sales and distribution of LNG, LNG supply and management

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ establishment and business	Issued ordinary/ registered share capital 31 March 2019	31 December 2017	Percentage of equity attributable to the Company 31 March 2019	31 December 2017	Principal activities
港匯天然氣銷售河北有限公司[4,6] (Ganghui Natural Gas Trading Hebei Co., Ltd.)*	PRC/ Mainland China	**RMB10,000,000 (Paid up RMB1,250,000)**	RMB10,000,000 (Paid up RMB1,250,000)	**60%**	60%	Sales and distribution of LNG, LNG supply and management
陝西港能物流有限公司[2,6] (CLNG (Shanxi) Logistic Co., Ltd.)*	PRC/ Mainland China	**RMB50,000,000 (Paid up RMB21,500,000**	RMB50,000,000 (Paid up RMB21,500,000)	**100%**	100%	Provision of LNG logistics services
青島奧博順拓氣體有限公司[4,6] (Qingdao Aobo Shunta Gas Co., Ltd.)*	PRC/ Mainland China	**RMB6,122,400 (Paid up RMB5,000,000)**	RMB6,122,400 (Paid up RMB5,000,000)	**51%**	51%	Sales and distribution of LNG, LNG supply and management
港能(天津)能源有限公司[3,6] (CLNG Tianjin Energy Co. Ltd)*	PRC/ Mainland China	**RMB510,000,000 (Paid up RMB497,978,771)**	RMB410,000,000 (Paid up RMB292,947,743)	**100%**	100%	Investment holding
港縱貿易(上海)有限公司[3,6]	PRC/ Mainland China	**RMB1,000,000,000 (Paid up RMB427,000,000)**	RMB50,000,000 (Paid up RMB10,800,000)	**100%**	100%	Investment holding
上海亞東宏華集裝箱運輸有限公司[4,6] (Shanghai YaDong Hong Hua Ji Zhuang Xiang Yun Shu Co., Ltd.)*	PRC/ Mainland China	**RMB30,000,000 (Paid up RMB4,770,000)**	RMB10,000,000 (Paid up RMB970,000)	**97%**	97%	Provision of LNG logistic services
四川港能能源有限公司[3,6] (CLNG Sichuan Energy Co., Ltd.)*	PRC/ Mainland China	**RMB50,000,000 (Paid up RMB200,000)**	RMB50,000,000 (Paid up RMB200,000)	**100%**	100%	Sales and distribution of LNG supply
寧波港福天然氣有限公司[2,6,7] (Ningbo Gangfu Natural Gas Co., Ltd.)*	PRC/ Mainland China	**RMB10,000,000 (Paid up RMBNil)**	RMB10,000,000 (Paid up RMBNil)	**100%**	99%	Sales and distribution of LNG supply
石家莊盛冉燃氣貿易有限公司[3,6] (Shijiazhuang Sheng Ran Gas Trading Co., Ltd.)* ("Shengran Gas")	PRC/ Mainland China	**RMB5,000,000**	RMB5,000,000	**100%**	100%	Trading of natural gas and transportation
河北港盛能源有限公司[3,6] (Hebei Gangsheung Energy Co., Ltd.)*	PRC/ Mainland China	**RMB30,000,000 (Paid up RMB12,000,000)**	RMB10,000,000 (Paid up RMB4,000,000)	**100%**	100%	Sales and distribution of LNG supply

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ establishment and business	Issued ordinary/ registered share capital 31 March 2019	Issued ordinary/ registered share capital 31 December 2017	Percentage of equity attributable to the Company 31 March 2019	Percentage of equity attributable to the Company 31 December 2017	Principal activities
河北港瑞天然氣有限公司[4,6] (Hebei Gangrui Natural Gas Co., Ltd.)*	PRC/ Mainland China	**RMB20,000,000 (Paid up RMB18,583,689)**	RMB20,000,000 (Paid up RMBNil)	**80%**	80%	Sales and distribution of LNG supply
港能天然氣鄄城有限公司[3,6] (CLNG Haocheng Natural Gas Co., Ltd.)*	PRC/ Mainland China	**RMB10,000,000 (Paid up RMB4,050,000)**	RMB10,000,000 (Paid up RMB4,050,000)	**100%**	100%	Sales and distribution of LNG supply
港能(湖北)能源有限公司[3,6] (CLNG Hubei Energy Co., Ltd.)* ("CLNG Hubei Energy")	PRC/ Mainland China	**RMB10,000,000**	RMB10,000,000	**100%**	100%	Sales and distribution of LNG supply
湖北鼎環新能源有限公司[3,6] (Hubei Dinghuan New Energy Co., Ltd.)*	PRC/ Mainland China	**RMB10,000,000 (Paid up RMB1,272,058)**	RMB10,000,000 (Paid up RMB1,039,067)	**100%**	100%	Sales and distribution of LNG supply
江蘇港易達能源有限公司[3,6] (Jiangsu Gangyida Energy Co., Ltd.)*	PRC/ Mainland China	**RMB10,000,000 (Paid up RMB2,000,000)**	RMB10,000,000 (Paid up RMB2,000,000)	**100%**	100%	Investment holding
港能(深圳)能源有限公司[3,6] (CLNG Shenzhen) Energy Co., Ltd.)*	PRC/ Mainland China	**RMB20,000,000 (Paid up RMB5,000,000)**	RMB20,000,000 (Paid up RMB5,000,000)	**100%**	100%	Investment holding
上海港能能源有限公司[3,6] (Shanghai Gangneng Energy Co., Ltd.)*	PRC/ Mainland China	**US$180,000,000**	US$180,000,000	**100%**	100%	Consultancy service on LNG
寧波港林天然氣利用有限公司[3,6] (Ningbo Ganglin Co., Ltd.)*	PRC/ Mainland China	**RMB50,000,000 (Paid up RMB30,000,000)**	RMB50,000,000 (Paid up RMB10,000,000)	**100%**	100%	Sales and distribution of LNG supply
江陰宏偉運輸有限公司[4,6,7] (Jiang Yin Hongwei Transportation Co., Ltd.)*	PRC/ Mainland China	**RMB10,300,000 (Paid up RMB6,850,000)**	–	**100%**	–	Sales and distribution of LNG supply

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Notes:

1 Held through subsidiaries.

2 They are wholly-foreign-owned enterprises under PRC law.

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

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

5 They are non-wholly-owned foreign owned enterprises under PRC law.

6 Subsidiaries whose statutory financial statements were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

7 Additional equity interests/equity interests of these entities were acquired as wholly-owned subsidiaries of the Company during the period. Details of the acquisitions were disclosed in notes 34 and 36 to the financial statements.

8 These entities were disposed of during the period. Details of the disposals were disclosed in note 35 to the financial statements.

* English company name translated for identification purposes only.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Company. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except for certain financial instruments which have been measured at fair value.

In the opinion of the directors, the Group would have sufficient working capital to finance its operations in the next twelve months from the date of the end of the reporting period because Dr. Kan Che Kin, Billy Albert ("Dr. Kan"), an executive director and chairman of the Company, has advanced and instructed to advance loans to the Group of HK$167 million subsequent to 31 March 2019. In addition, Dr. Kan has undertaken to provide adequate financial support to the Group for the next twelve months from the date of these financial statements to enable the Group to meet its obligations and liabilities as and when they fall due. As at the date of approval of these financial statements, the Group has unutilised credit line of HK$103 million of which could be utilised from time to time should need arise. Moreover, the Group is taking measures to tighten controls over various costs and actively enhance its market position in the LNG industry by expanding its customer base with the aim to attain profitable and positive cash flow operations in the coming financial year.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the period from 1 January 2018 to 31 March 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributable to the ordinary equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue with Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. There is no significant impact on the Group's financial position and financial performance upon initial application at 1 January 2018.

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement				HKFRS 9 measurement	
	Category	**Amount**	**Reclassification**	**ECL**	**Amount**	**Category**
		HK$'000	HK$'000	HK$'000	HK$'000	
Financial assets						
Receivables under LNG finance lease arrangements	L&R[1]	84,308	–	(11,613)	72,695	AC[3]
Financial assets at fair value through profit or loss	FVPL[2]	18,911	–	–	18,911	FVPL[2]
LNG finance lease receivables	L&R[1]	93,370	–	(29,747)	63,623	AC[3]
Accounts and other receivables, and deposits	L&R[1]	305,872	–	–	305,872	AC[3]
Loan receivables	L&R[1]	168,774	–	–	168,774	AC[3]
Bank balances held on behalf of clients	L&R[1]	44,211	–	–	44,211	AC[3]
Cash and cash equivalents	L&R[1]	364,162	–	–	364,162	AC[3]
		1,079,608	–	(41,360)	1,038,248	
Financial liabilities						
Accounts payables	AC[3]	113,158	–	–	113,158	AC[3]
Financial liabilities included in other payables and accruals	AC[3]	130,718	–	–	130,718	AC[3]
		243,876	–	–	243,876	

1 L&R: Loans and receivables
2 FVPL: Financial assets at fair value through profit or loss
3 AC: Financial assets or financial liabilities at amortised cost

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

Classification and measurement

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. 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.

Under HKFRS 9, the classification for all of the Group's financial assets measured at fair value through profit or loss remains the same. Accounts and other receivables, receivables under LNG finance lease arrangements, LNG finance lease receivables, loan receivables, bank balance held on behalf of clients and cash and cash equivalents which are previously classified as loans and receivables under HKAS 39 are classified as financial assets at amortised cost upon initial application of HKFRS 9. The carrying amounts for all financial assets at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss ("ECL") model either on a twelve-month basis or a lifetime basis. The Group applies the simplified approach and record lifetime expected credit losses based on the present values of all cash shortfalls over the remaining life of all of its accounts receivables arising from LNG business, receivables under LNG finance lease arrangements and LNG finance lease receivables. Furthermore, the Group applies the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its loan receivables, other receivables and other financial assets at amortised cost within the next twelve months.

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in notes 19 and 20 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017 HK$'000	**Re-measurement** HK$'000	**ECL allowances under HKFRS 9 at 1 January 2018** HK$'000
Receivables under LNG finance lease arrangements	–	11,613	11,613
LNG finance lease receivables	–	29,747	29,747
	–	41,360	41,360

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(continued)*

Impairment *(continued)*

The impact of transition of HKFRS 9 on retained profits is as follows:

	Retained profits HK$'000
Balance as at 31 December 2017 under HKAS 39	232,536
Recognition of expected credit losses for receivables under LNG finance lease arrangements under HKFRS 9	(11,613)
Recognition of expected credit losses for LNG finance lease receivables under HKFRS 9	(29,747)
Balance as at 1 January 2018 under HKFRS 9	191,176

(b) HKFRS 15 and its amendments replace HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 2.5 and 4 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

Although the application of HKFRS 15 has impacted on the classification of certain items in the financial statements, it has had no impact on the financial performance of the Group. Hence, no cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. The comparative information was not restated and continues to be reported under HKAS 18 and related interpretations.

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 March 2019 are described below:

Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) *(continued)*

Consideration received from customers in advance *(continued)*

Therefore, upon adoption of HKFRS 15, the Group reclassified HK$80,201,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 March 2019, under HKFRS 15, HK$53,440,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the sales and distribution of LNG to customers before delivery.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application.

During the period from 1 January 2018 to 31 March 2019, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets and lease liabilities of approximately to HK$18 million will be recognised at 1 April 2019.

Other than the recognition of right-of-use assets and lease liabilities, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's interests in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is calculated as the higher of the asset's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	20%-33$^{1}/_{3}$%
Leasehold improvements	Over the shorter of the lease terms and 25%
Equipment and machinery	5%-33$^{1}/_{3}$%
Motor vehicles	10%-25%
Building	3$^{1}/_{3}$%-5%
Yacht	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and equipment and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Road transportation operation permits of dangerous goods

Purchased permits are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Initial recognition and measurement *(continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purposes of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 270 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For receivables from margin clients and cash clients, the Group considers there has been a significant increase in credit risk when clients cannot meet the margin call requirement and uses the loan-to-collateral value ("LTV") to make its assessment. However, in certain cases, the Group may also consider a margin client receivable to be in default when there is a margin shortfall which indicates the Group is unlikely to receive the outstanding contractual amounts in full taking into account the pledged securities held by the Group. A margin client receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for receivables under finance lease arrangements, LNG finance lease receivables and accounts receivables under LNG business which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Simplified approach

For receivables under finance lease arrangements, LNG finance lease receivables and accounts receivables under LNG business that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For receivables under finance lease arrangements, LNG finance lease receivables and accounts receivables under LNG business that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payables, other payables and accruals, interest-bearing bank borrowings, obligations under finance lease arrangements, and loans from a shareholder.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) *(continued)*

Convertible bonds

On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

Financial guarantee contracts (policies under HKFRS 9 applicable from 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial guarantee contracts (policies under HKAS 39 applicable before 1 January 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost, on the first-in, first-out basis, and net realisable value after making due allowance for any obsolete or slow-moving items. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sales of LNG vehicles and sales and distribution of LNG

Revenue from the sale of LNG and LNG vehicles is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of LNG and LNG vehicles.

(b) Provision of LNG logistic services and other services

Revenue from the provision of LNG logistic services and other services is recognised when the underlying services have been rendered in accordance with the terms of service agreements.

(c) LNG finance lease and provision of loan finance services

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

(d) Provision of broking services

Commission and brokerage income is recognised when the customer has received the service from the Group, generally when the trades are executed. Commission income on securities dealing and broking is generally due within two days after the trade date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable from 1 January 2018) *(continued)*

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

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

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

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

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

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

Service fee income is recognised when services have been rendered.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable before 1 January 2018) *(continued)*

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

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

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Pension schemes

The Group's employer contributions vest fully with the employees when contributed into the Mandatory Provident Fund retirement benefit (the "MPF Scheme"), except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain portion of its payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Bank balances held on behalf of clients

The Group has classified the clients' monies as bank balances held on behalf of customers under the current assets section of the statement of financial position as the Group is allowed to retain some or all of the interest income on the clients' monies and recognised a corresponding accounts payable to the respective clients on grounds that is liable for any loss or misappropriation of clients' monies. Under the Hong Kong Securities and Futures Ordinance (Cap. 571), the Company is not allowed to use the clients' monies to settle its own obligation.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Current and deferred tax

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made. Further details are disclosed in note 9 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Useful lives and residual values of items of property, plant and equipment

The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment of depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period, based on changes in circumstances.

Impairment of property, plant and equipment

The Group determines whether property, plant and equipment is impaired at least on an annual basis. This requires an estimation of the replacement cost of property, plant and equipment as at 31 March 2019. Estimating the replacement cost requires the Group to make an estimate of the expected dollar value that would be required to replace the production capability of the present assets in the property, plant and equipment. Further details are disclosed in note 13 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated as at 31 March 2019. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in note 15 to the financial statements.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market conditions and the historical experience of selling merchandise of similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Group reassesses these estimates at the end of each reporting period. The related disclosures are included in note 21 to the financial statements.

Provision for expected credit losses on LNG finance lease arrangement, LNG finance lease receivables and accounts receivables arising from LNG business

The Group uses a provision matrix to calculate ECLs for LNG finance lease arrangement, LNG finance lease receivables and accounts receivables arising from LNG business. The provision rates are based on days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Provision for expected credit losses on LNG finance lease arrangement, LNG finance lease receivables and accounts receivables arising from LNG business *(continued)*

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Impairment of HK$19,437,000, HK$27,346,000 and HK$5,055,000 are made to receivables under LNG finance lease arrangement, LNG finance lease receivables and accounts receivables arising from LNG business, respectively. The information about the ECLs on these receivables are disclosed in notes 19, 20 and 23 to the financial statements.

Impairment assessment of loan receivables and accounts receivables from margin clients and cash clients

The Group calculates the ECLs of receivables from margin clients and cash clients by estimating the probability of decline in expected future collateral prices, with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate. As part of a qualitative assessment of whether a counterparty is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When certain events occur, the Group carefully considers whether the events should result in determining the counterparties as defaulted and therefore assesses whether the classification as stage 3 for ECL calculation is appropriate. Impairment of HK$1,016,000 and HK$4,779,000 is made to loan receivables and accounts receivables arising from dealing in securities, respectively. Further details of loan receivables and accounts receivables from margin clients and cash clients are given in notes 22 and 23 to the financial statements.

Impairment of accounts receivables arising from LNG business, receivables under LNG finance lease arrangements, LNG finance lease receivables and accounts receivables arising from dealing in securities

Before 1 January 2018, the policy for impairment of accounts receivables arising from LNG business, receivables under LNG finance lease arrangements, LNG finance lease receivables and accounts receivables arising from dealing in securities of the Group is based on the evaluation of collectability and ageing analysis of account, finance lease, loan receivables and accounts receivables arising from dealing in securities and on management's judgement. Significant judgement and estimates is required in assessing the ultimate realisation of these receivables, based on the current creditworthiness, the past collection history and subsequent settlements of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required. Further details are disclosed in notes 19, 20 and 23 to the financial statements.

Impairment of investments in joint ventures, associates and their goodwill

The Group tests whether the investments in joint ventures, associates and their goodwill have suffered any impairment, in accordance with the accounting policy stated in note 2.4. The recoverable amount of the investment is the higher of the asset's fair value less costs to sell and value in use. The balance of goodwill is determined with respect to a discounted cash flow model on the joint ventures and associates acquired. These calculations require the use of estimates. Impairment of HK$5,070,000 is made to interests in associates. Further details are disclosed in notes 17 and 18 to the financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has eight reportable operating segments as follows:

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

(b) Provision of LNG logistic services;

(c) Finance leasing for LNG vehicles and equipment;

(d) Provision of LNG in the midstream and downstream market through fuelling/refuelling of LNG in road refuelling stations for commercial vehicles and water refuelling stations for vessels and specific designed refuelling facilities for equipment;

(e) 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;

(f) Trading of securities;

(g) Provision of securities brokerage, margin financing and securities investments services in Hong Kong; and

(h) Financial services through money lending business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit/loss before tax from continuing operations except that other income and gains, finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets mainly exclude cash and cash equivalents, and other unallocated assets as these assets are managed on a group basis.

Segment liabilities mainly exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities, and other unallocated liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. OPERATING SEGMENT INFORMATION *(continued)*

	Sales and distribution of LNG		Provision of LNG logistic services		Finance leasing for LNG vehicles and equipment		Provision of LNG in the midstream and downstream market		Provision of commercial vehicle platform services		Trading of securities		Provision of securities brokerage, margin financing and securities investments		Financial services through money lending business		Consolidated for continuing operations	
	2019	2017	**2019**	2017	**2019**	2017	**2019**	2017	**2019**	2017	**2019**	2017	**2019**	2017	**2019**	2017	**2019**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue (note 4)																		
Sales to external customers	**2,579,993**	922,278	**31,646**	3,031	**10,552**	15,530	**-**	505	**-**	4,101	**-**	(77,558)	**15,638**	5,902	**32,079**	23,163	**2,669,908**	896,952
Others	**1,026**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**1,026**	-
Intersegment sales	**1,689,102**	-	**740,611**	-	**14,266**	-	**-**	-	**121,111**	-	**-**	-	**-**	-	**-**	-	**2,565,090**	-
	4,270,121	922,278	**772,257**	3,031	**24,818**	15,530	**-**	505	**121,111**	4,101	**-**	(77,558)	**15,638**	5,902	**32,079**	23,163	**5,236,024**	896,952
Reconciliation:																		
Elimination of intersegment sales																	**(2,565,090)**	-
Revenue from continuing operations																	**2,670,934**	896,952
Segment results	**(106,962)**	(9,001)	**(60,785)**	(8,723)	**(11,018)**	(3,752)	**(1,342)**	(8,077)	**(2,221)**	(4,195)	**(9,521)**	(87,984)	**(6,430)**	(2,629)	**24,209**	23,089	**(174,070)**	(101,272)
Other income and gains																	**8,425**	2,332
Finance costs																	**(28,345)**	(284)
Share of profits less losses of associates	**306**	(1,581)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**306**	(1,581)
Share of profits less losses of joint ventures	**29**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**29**	-
Corporate and other unallocated expenses																	**(54,093)**	(34,870)
Loss before tax from continuing operations																	**(247,748)**	(135,675)
Assets and liabilities																		
Segment assets	**849,431**	441,139	**827,867**	116,946	**28,428**	188,774	**13,564**	91,720	**2,335**	58,235	**3,321**	7,990	**71,800**	46,059	**186,887**	168,774	**1,983,633**	1,119,637
Unallocated																	**100,388**	468,523
																	2,084,021	1,588,160
Segment liabilities	**660,808**	168,392	**410,935**	7,743	**25,034**	22,359	**70**	58,749	**72**	2,825	**5,373**	1,811	**22,786**	45,967	**1,044**	44	**1,126,122**	307,890
Unallocated																	**57,470**	35,856
																	1,183,592	343,746

3. OPERATING SEGMENT INFORMATION *(continued)*

	Sales and distribution of LNG		Provision of LNG logistic services		Finance leasing for LNG vehicles and equipment		Provision of LNG in the midstream and downstream market		Provision of commercial vehicle platform services		Trading of securities		Provision of securities brokerage, margin financing and securities investments		Financial services through money lending business		Consolidated for continuing operations	
	2019	2017	**2019**	2017	**2019**	2017	**2019**	2017	**2019**	2017	**2019**	2017	**2019**	2017	**2019**	2017	**2019**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information																		
Share of results of:																		
Associates	**306**	(1,581)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**306**	(1,581)
Joint ventures	**29**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**29**	-
Impairment of receivables under LNG finance lease arrangements	**-**	-	**-**	-	**(7,824)**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(7,824)**	-
Reversal of impairment of LNG finance lease receivables	**-**	-	**-**	-	**2,401**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**2,401**	-
Impairment of loan receivables	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(1,016)**	-	**(1,016)**	-
Impairment of accounts receivables arising from dealing in securities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(4,779)**	-	**-**	-	**(4,779)**	-
Impairment of accounts receivables arising from LNG business	**(5,055)**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(5,055)**	-
Impairment of associates	**(5,070)**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(5,070)**	-
Depreciation and amortisation	**44,220**	5,324	**1,560**	3,239	**1,283**	1,708	**324**	603	**68**	220	**3,495**	2,795	**440**	1,212	**-**	-	**51,390**	15,101
Loss/(gain) on disposal of items of property, plant and equipment	**(203)**	(248)	**(39)**	-	**-**	24	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(242)**	(224)
Interests in associates	**16,161**	13,676	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**16,161**	13,676
Interests in joint ventures	**132,019**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**132,019**	-
Additions to prepaid land use payments	**39,383**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**39,383**	-
Capital expenditure	**131,934**	132,288	**245,500**	81,731	**243**	1,086	**334**	11,532	**43**	266	**-**	19	**17**	543	**-**	-	**378,071**	227,465
Additions to deposits for acquisition of plant and equipment, and land use rights	**266,541**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**266,541**	61,350

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Hong Kong	**47,717**	(48,493)
PRC	**2,623,217**	945,445
	2,670,934	896,952

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	31 March 2019 HK$'000	31 December 2017 HK$'000
Hong Kong	**4,421**	8,338
PRC	**1,389,213**	398,317
	1,393,634	406,655

The non-current asset information of continuing operations above is based on the locations of the assets.

Information about major customers

For the period from 1 January 2018 to 31 March 2019 and the year ended 31 December 2017, no revenue derived from a single customer of the Group accounted for over 10% of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Revenue from contracts with customers	**2,669,908**	
Sales and distribution of LNG	**–**	922,278
Sales of LNG vehicles	**–**	4,101
Provision of LNG logistic services	**–**	3,031
Interest income from LNG finance lease arrangements	**–**	7,587
LNG finance leases interest income	**–**	7,263
Service fee income from leasing of LNG vehicles	**–**	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	**–**	23,163
Interest income from securities margin financing	**–**	4,396
Services fee income	**–**	691
Brokerage income	**–**	1,320
Revenue from other sources		
Rental income	**1,026**	–
	2,670,934	896,952

4. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the period from 1 January 2018 to 31 March 2019

	LNG related products HK$'000	LNG related services HK$'000	Financial services HK$'000	Total HK$'000
Type of goods or services				
Sales and distribution of LNG	2,579,993	–	–	2,579,993
Provision of LNG logistic services	–	31,646	–	31,646
LNG finance lease	–	10,552	–	10,552
Provision of loan finance services	–	–	32,079	32,079
Provision of brokerage services	–	–	15,638	15,638
Total revenue from contracts with customers	2,579,993	42,198	47,717	2,669,908
Geographical markets				
Hong Kong	–	–	47,717	47,717
PRC	2,579,993	42,198	–	2,622,191
Total revenue from contracts with customers	2,579,993	42,198	47,717	2,669,908
Timing of revenue recognition				
Goods transferred at a point in time	2,579,993	–	47,717	2,627,710
Services transferred over time	–	42,198	–	42,198
Total revenue from contracts with customers	2,579,993	42,198	47,717	2,669,908

4. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

For the period from 1 January 2018 to 31 March 2019

	LNG related products HK$'000	LNG related services HK$'000	Financial services HK$'000	Total HK$'000
Revenue from contracts with customers				
Sales to external customers	2,579,993	42,198	47,717	2,669,908
Intersegment sales	1,689,102	875,988	–	2,565,090
	4,269,095	918,186	47,717	5,234,998
Intersegment adjustments and eliminations	(1,689,102)	(875,988)	–	(2,565,090)
Total revenue from contracts with customers	2,579,993	42,198	47,717	2,669,908

	HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sales of LNG vehicles and sales and distribution of LNG	80,201

4. REVENUE, OTHER INCOME AND GAINS *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales and distribution of LNG
The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from delivery.

LNG logistic services
The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of one year or less, or are billed based on the time incurred.

Finance lease and loan financing income
The performance obligation is satisfied when the customer has the ability to direct the use of the asset/loan and obtain substantially all of the remaining benefits of the asset and payment is due upon delivery of the property to the customer for finance lease income.

Provision of brokerage services
The performance obligation is satisfied at a point in time when the customer has received the service from the Group, generally when the trades are executed.

As at 31 March 2019, there are no performance obligations outstanding that will be recognised more than one year.

	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Other income		
Bank interest income	**1,525**	1,490
Interest income from loans to third parties	**114**	475
Sundry income	**2,966**	3,745
	4,605	5,710
Other gains		
Gain on disposal of items of property, plant and equipment	**242**	224
Gain on disposal of subsidiaries (note 35)	**3,578**	514
	3,820	738
	8,425	6,448

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Cost of goods sold*		**2,613,962**	894,695
Cost of services provided*		**35,119**	4,599
Depreciation	13	**50,598**	14,842
Amortisation of other intangible assets	16	**377**	259
Amortisation of prepaid land lease payments	14	**415**	–
Government subsidies**		**1,182**	–
Minimum lease payments under operating leases		**17,322**	11,518
Auditor's remuneration		**2,580**	929
Employee benefit expense (excluding directors' remuneration (note 7)):			
Wages and salaries		**90,951**	57,029
Pension scheme contributions		**23,820**	12,860
		114,771	69,889
Gain on disposal of items of property, plant and equipment		**(242)**	(224)
Foreign exchange difference, net		**5,839**	2,945
Impairment of receivables under LNG finance lease arrangements	19	**7,824**	–
Impairment of LNG finance lease receivables	20	**(2,401)**	–
Impairment of loan receivables	22	**1,016**	–
Impairment of accounts receivables arising from dealing in securities	23	**4,779**	–
Impairment of accounts receivables arising from LNG business	23	**5,055**	–
Impairment of interests in associates	18	**5,070**	–
Gain on disposal of a subsidiary	35	**(3,578)**	(514)
Gain on fair value changes of convertible notes	33	**(2,259)**	–
Loss on redemption of convertible notes	33	**2,259**	–

* These balances are included in "Cost of sales" in the consolidated statement of profit or loss.

** There are no unfulfilled conditions or contingencies relating to these subsidies.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Interest expense on loans from a shareholder	**20,363**	284
Interest expense on convertible notes	**2,190**	–
Interest expense on interest-bearing bank borrowings	**905**	–
Interest expense on loans from third parties	**3,384**	–
Interest expense on finance leases	**1,503**	–
	28,345	284

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Fees:		
Executive directors	**20**	20
Non-executive directors	**100**	100
Independent non-executive directors	**150**	150
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**1,800**	1,440
	2,070	1,710

7. DIRECTORS' REMUNERATION *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Period from 1 January 2018 to 31 March 2019				
Executive directors:				
Dr. Kan	10	–	–	10
Mr. Li Kai Yien, Arthur Albert	10	–	–	10
Mr. Chen Li Bo	–	1,800	–	1,800
	20	1,800	–	1,820
Non-executive directors:				
Mr. Simon Murray	50	–	–	50
Mr. Lam, Lee G	50	–	–	50
	100	–	–	100
Independent non-executive directors:				
Mr. Li Siu Yui	50	–	–	50
Mr. Lam Lum Lee	50	–	–	50
Mr. Au Yeung Po Fung	50	–	–	50
	150	–	–	150
	270	1,800	–	2,070

Dr. Kan is also the chairman and chief executive officer of the Company.

7. DIRECTORS' REMUNERATION *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
For the year ended 31 December 2017				
Executive directors:				
Dr. Kan	10	–	–	10
Mr. Li Kai Yien, Arthur Albert	10	–	–	10
Mr. Chen Li Bo	–	1,440	–	1,440
	20	1,440	–	1,460
Non-executive directors:				
Mr. Simon Murray	50	–	–	50
Mr. Lam, Lee G	50	–	–	50
	100	–	–	100
Independent non-executive directors:				
Mr. Li Siu Yui	50	–	–	50
Mr. Lam Lum Lee	50	–	–	50
Mr. Au Yeung Po Fung	50	–	–	50
	150	–	–	150
	270	1,440	–	1,710

There was no arrangement under which a director waived or agreed to waive any remuneration during the year/period.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the period/year included one director (year ended 31 December 2017: one director), details of whose remuneration are set out in note 7 above. Details of the remuneration for the period/year of the remaining four (year ended 31 December 2017: four) non-director highest paid employees are as follows:

	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Salaries, allowances and benefits in kind	**4,656**	3,293
Pension scheme contributions	**491**	205
	5,147	3,498

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Numbers of employees	
	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**2**	1
HK$2,000,001 to HK$2,500,000	**1**	–
	4	4

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

9. INCOME TAX

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period/year. Taxes on profits assessable elsewhere have been calculated at the applicable tax rates prevailing in the jurisdictions in which the Group operates.

	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Current – Hong Kong		
Charge for the year/period	**2,990**	12,993
Underprovision in prior years	**120**	46
Current – Elsewhere	**3,775**	3,896
Total tax charge	**6,885**	16,935

A reconciliation of the tax credit applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rates is as follows:

	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Loss before tax from continuing operations	**(247,748)**	(135,675)
Profit before tax from a discontinued operation (note 10)	**–**	543
	(247,748)	(135,132)
Tax at the statutory rates	**(61,830)**	(21,061)
Income not subject to tax	**(2,730)**	(2,396)
Expenses not deductible for tax	**6,441**	27,447
Temporary difference not recognised	**443**	6
Profits and losses attributable to joint ventures and associates	**84**	–
Tax losses utilised from prior periods	**(7,458)**	–
Tax losses not recognised	**71,815**	13,220
Adjustments in respect of prior years	**120**	46
Others	**–**	(327)
Tax charge at the Group's effective rate	**6,885**	16,935
Tax charge from continuing operations	**6,885**	16,935

9. INCOME TAX *(continued)*

(a) *(continued)*

The share of tax attributable to associates and joint ventures amounting to HK$184,000 (2017: Nil) and HK$42,000 (2017: Nil), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

(b) Deferred tax liabilities of HK$3,907,000 (2017: Nil) represents fair value adjustment arising from acquisition of a subsidiary (note 34(a)) of HK$3,958,000, adjusted by exchange realignment of HK$51,000.

The Group has tax losses arising in Hong Kong of HK$518,811,000 (2017: HK$499,672,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$374,117,000 (2017: HK$129,321,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is uncertain that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries, joint ventures and associates established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will have significant retained profits for distribute in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$13,566,000 at 31 March 2019 (2017: HK$8,886,000).

10. DISCONTINUED OPERATION

On 1 June 2017 and 5 June 2017, the Group and 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 was settled in cash. ACE and SLL ceased to be subsidiaries of the Company thereafter and the Group no longer carried on the business of property investment. Accordingly, the business segment of property investment was regarded as a discontinued operation. Details of the ACE and SLL Disposal are set out in note 35(b) to the financial statements.

The results from the discontinued operation for the year are as follows:

	Year ended 31 December 2017 HK$'000
Revenue	720
Administrative expenses	(177)
Profit before tax from the discontinued operation	543
Income tax expenses	–
Profit for the year from the discontinued operation	543

The net cash flows incurred by the discontinued operation are as follows:

	Year ended 31 December 2017 HK$'000
Operating activities	502
Financing activities	117
Net cash inflow	619

11. DIVIDENDS

The directors resolved not to declare any dividend for the period from 1 January 2018 to 31 March 2019 (year ended 31 December 2017: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year/period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 5,637,335,547 (2017: 5,636,640,329) in issue during the year/period, as adjusted to reflect the convertible notes converted, and shares repurchased and cancelled during the year/period.

No adjustment has been made to the basic loss per share amounts presented for the period from 1 January 2018 to 31 March 2019 and the year ended 31 December 2017 in respect of a dilution as the impact of the shares repurchased and cancelled and convertible notes outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Loss		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic loss per share calculation:		
From continuing operations	**(254,328)**	(124,272)
From a discontinued operation	**–**	543
	(254,328)	(123,729)
Interest on convertible notes (note 33)	**2,190**	–
Loss attributable to ordinary equity holders of the Company before interest on convertible notes	**(252,138)***	(123,729)
Attributable to:		
Continuing operations	**(252,138)***	(124,272)
Discontinued operation	**–**	543
	(252,138)*	(123,729)

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(continued)*

	Number of shares	
	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Shares		
Weighted average number of ordinary shares in issue during the year/period used in the basic loss per share calculation	**5,637,335,547**	5,636,640,329
Effect of dilution-weighted average number of ordinary shares:		
Conversion of convertible notes*	**155,925,555**	–
	5,793,261,102	5,636,640,329

* Because the diluted loss per share amount is increased when taking convertible notes into account, the convertible notes had an anti-dilutive effect on the basic loss per share for the year/period and were ignored in the calculation of diluted loss per share. Therefore, the diluted loss per share amounts are based on the loss for the period of HK$254,328,000 and the weighted average number of ordinary shares of 5,637,335,547 in issue during the period.

13. PROPERTY, PLANT AND EQUIPMENT/OTHER ASSETS

			Equipment					
	Furniture	Leasehold	and	Motor	Construction			
	and fixtures	improvements	machinery	vehicles	Building	Yacht	in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:								
At 1 January 2017	5,342	3,125	14,311	6,111	–	9,100	2,784	40,773
Acquisition of subsidiaries (note 34(b), (c))	38	–	4,729	566	–	–	107	5,440
Additions	2,172	1,128	32,395	69,040	–	–	122,730	227,465
Transfer	–	–	67,933	–	–	–	(67,933)	–
Disposals of subsidiaries (note 35(b))	(622)	–	–	–	–	–	–	(622)
Disposals	(12)	–	(1,242)	(284)	–	–	–	(1,538)
Exchange realignment	337	151	4,455	2,512	–	–	1,995	9,450
At 31 December 2017 and 1 January 2018	7,255	4,404	122,581	77,945	–	9,100	59,683	280,968
Acquisition of subsidiaries (note 34(a))	–	–	–	12,849	–	–	–	12,849
Additions	4,248	365	58,892	184,340	–	–	170,310	418,155
Transfer	–	–	184,283	–	795	–	(185,078)	–
Disposals of subsidiaries (note 35(a))	(67)	–	–	–	–	–	(1,806)	(1,873)
Disposals	(387)	–	(17,444)	(4,583)	–	–	–	(22,414)
Exchange realignment	(137)	(73)	(5,811)	(3,959)	(9)	–	(1,387)	(11,376)
At 31 March 2019	**10,912**	**4,696**	**342,501**	**266,592**	**786**	**9,100**	**41,722**	**676,309**

13. PROPERTY, PLANT AND EQUIPMENT/OTHER ASSETS *(continued)*

	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Equipment and machinery HK$'000	Motor vehicles HK$'000	Construction Building HK$'000	Yacht HK$'000	in progress HK$'000	Total HK$'000
Depreciation:								
At 1 January 2017	1,827	1,375	220	1,021	–	1,400	–	5,843
Provided for the year	1,992	1,498	4,435	4,817	–	2,100	–	14,842
Written back on disposals	(2)	–	(612)	(101)	–	–	–	(715)
Disposal of subsidiaries (note 35(b))	(601)	–	–	–	–	–	–	(601)
Exchange realignment	114	71	141	187	–	–	–	513
At 31 December 2017 and 1 January 2018	3,330	2,944	4,184	5,924	–	3,500	–	19,882
Provided for the period	2,614	1,180	22,296	21,854	29	2,625	–	50,598
Written back on disposals	(292)	–	(2,858)	(3,923)	–	–	–	(7,073)
Disposal of subsidiaries (note 35(a))	(6)	–	–	–	–	–	–	(6)
Exchange realignment	(89)	(51)	(330)	(325)	–	–	–	(795)
At 31 March 2019	5,557	4,073	23,292	23,530	29	6,125	–	62,606
Carrying values:								
At 31 March 2019	5,355	623	319,209	243,062	757	2,975	41,722	613,703
At 31 December 2017	3,925	1,460	118,397	72,021	–	5,600	59,683	261,086

Balance of other assets of HK$305,271,000 represented the right to acquire LNG tank containers pursuant to a sale and purchase agreement dated 29 June 2018 entered into between Gangzong Trade (Shanghai) Co., Ltd, a wholly-owned subsidiary of the Company and CIMC Enric Energy Equipment (Suzhou) Co., Ltd., a wholly-owned subsidiary of CIMC Enric Holdings Limited. Details of the acquisition is disclosed in a circular of the Company dated 24 August 2018. Liability of the same balance is recognised and included in other payables and accruals (note 28).

14. PREPAID LAND LEASE PAYMENTS

	31 March 2019 HK$'000	31 December 2017 HK$'000
Carrying amount at 1 January	**–**	–
Additions during the period/year	**39,383**	–
Recognised during the period/year	**(415)**	–
Exchange realignment	**(436)**	–
Carrying amount at the end of the period/year	**38,532**	–
Current portion included in prepayments	**(811)**	–
Non-current portion	**37,721**	–

15. GOODWILL

	Notes	HK$'000
Cost:		–
At 1 January 2018		9,161
Acquisition of subsidiaries	34(a)	513
Disposal of subsidiaries	35(a)	(8,727)
Exchange realignment		(17)
At 31 March 2019		930

15. GOODWILL *(continued)*

	Notes	HK$'000
Cost:		–
At 1 January 2017		8,493
Acquisition of subsidiaries	34(b), 34(c)	418
Exchange realignment		250
At 31 December 2017		9,161

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

The Group prepares cash flow projection covering the expected operating period of the CGU. The cash flow projections for the first 5 years are based on financial budgets approved by management. The 5-year period financial budgets are prepared based on the management's expectations for the market development taking into account the stage of the development of the respective LNG projects. Growth rate of the cash flows beyond the 5-year period are extrapolated at nil for the CGU and assuming the gross profit margin will be the same throughout that period. The growth rates are based on management's best estimates with consideration of both internal and external factors relating to the CGU.

Directors estimate discount rates using pre-tax rates by reference to the average rates for a similar industry and the risks specific to the CGU and determined the discount rate to be 12.4% (31 December 2017: 14.1%).

16. OTHER INTANGIBLE ASSETS

	Road transportation operation permits of dangerous goods HK$'000
Cost:	
At 1 January 2017	2,233
Acquisition of subsidiaries (note 34(d))	640
Exchange realignment	189
At 31 December 2017 and 1 January 2018	3,062
Acquisition of subsidiaries (note 34(a))	6,815
Exchange realignment	(158)
At 31 March 2019	9,719
Amortisation:	
At 1 January 2017	–
Charge for the year	259
Exchange realignment	9
At 31 December 2017 and 1 January 2018	268
Charge for the period	377
Exchange realignment	(12)
At 31 March 2019	633
Carrying values:	
At 31 March 2019	9,086
At 31 December 2017	2,794

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

17. INTERESTS IN JOINT VENTURES

	31 March 2019 HK$'000	31 December 2017 HK$'000
Share of net assets	**131,131**	–
Loan to a joint venture	**888**	–
	132,019	–

The loan to a joint venture is unsecured, bears interest at 8% per annum and is repayable on demand. In the opinion of the directors, the loan is unlikely to be repaid in the foreseeable future and is considered as part of the Group's net investment in the joint venture.

Particulars of the Group's material indirectly held joint venture are as follows:

Name	Particulars of issued shares held	Place of establishment and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
港海能源(上海)有限公司	Registered capital of RMB 102,000,000	PRC/ Mainland China	51	(note)	51	Sales and distribution of LNG

Note: The joint venture is jointly controlled by the Group and other shareholder by virtue of contractual arrangements among shareholders which require simple majority of directors' approval for major business decisions. The Group and the other shareholder each can appoint 2 directors out of total 5 directors of this joint venture, whereas the remaining 1 director is jointly appointed by both the Group and the other shareholder. Therefore, it is classified as a joint venture of the Group.

港海能源(上海)有限公司, which is considered as a material joint venture of the Group, is accounted for using the equity method.

The above table lists the joint venture of the Company which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Company. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

17. INTERESTS IN JOINT VENTURES *(continued)*

The following table illustrates the summarised financial information in respect of 港海能源(上海)有限公司 adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	31 March 2019 HK$'000	31 December 2017 HK$'000
Cash and cash equivalents	**185,816**	–
Other current assets	**48,310**	–
Current assets	**234,126**	–
Non-current assets	**66**	–
Current liabilities	**171**	–
Net assets	**234,021**	–
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**51%**	–
Group's share of net assets of the joint venture	**119,351**	–
Carrying amount of the investment	**119,351**	–
Revenue	**–**	–
Interest income	**512**	–
Other expenses	**(71)**	–
Income tax expenses	**(110)**	–
Profit and total comprehensive income for the period/year	**331**	–

The following table illustrates the financial information of the Group's joint ventures that are not individually material:

	31 March 2019 HK$'000	31 December 2017 HK$'000
Share of the joint ventures' loss for the period/year	**(140)**	–
Share of the joint ventures' total comprehensive expenses	**(140)**	–
Carrying amount of the Group's interest in the joint ventures	**11,780**	–

18. INTERESTS IN ASSOCIATES

	31 March 2019 HK$'000	31 December 2017 HK$'000
Share of net assets	**21,231**	13,676
Provision for impairment	**(5,070)**	–
	16,161	13,676

Particulars of associates are as follows:

Name	**Principal place of business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
CNOOC (Bengbu) Traffic New Energy Co., Ltd.	PRC/ Mainland China	40%	Sales and distribution of LNG diesel and oil product
CNOOC (Shanghai) Traffic New Energy Co., Ltd.	PRC/ Mainland China	40%	Sales and distribution of LNG diesel and oil product
Anhui Jugang Energy Co., Ltd.	PRC/ Mainland China	30.25%	Sales and distribution of LNG diesel and oil product
Shenzhen Gas Shengshi Clean Energy Co., Ltd.	PRC/ Mainland China	25%	Investment in gasoline stations and LNG stations in the PRC
Gangneng LNG (Fujian) Co., Ltd *	PRC/ Mainland China	26.01%	Sales and distribution of LNG diesel and oil product
舟山深能燃氣發展有限公司*	PRC/ Mainland China	25%	Sales and distribution of LNG diesel and oil product

* These entities were newly invested during the period.

Impairment of HK$5,070,000 (2017: Nil) was recognised for interest in an associate because the associate has been loss-making and, in the opinion of the directors, the recoverable amount of the associate is based on its fair value less cost of disposal. Management has estimated the fair value of the associate on its net asset value as the fair value of the associate's underlying assets and liabilities approximates to its carrying amount due to the short term maturities of those instruments. The fair value measurement is categorised within Level 3 of the fair value hierarchy.

The Group's shareholdings in the associates are held through subsidiaries of the Company.

18. INTERESTS IN ASSOCIATES *(continued)*

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	31 March 2019 HK$'000	31 December 2017 HK$'000
Share of the associates' profit/(loss) for the period/year	**306**	(1,581)
Share of the associates' total comprehensive income/(expenses)	**(139)**	430
Aggregate carrying amount of the Group's investments in the associates	**16,161**	13,676

19. RECEIVABLES UNDER LNG FINANCE LEASE ARRANGEMENTS

The Group provides finance leasing services for LNG vehicles in the PRC. The ageing analysis of receivables under these finance lease arrangements is as follows:

	31 March 2019 HK$'000	31 December 2017 HK$'000
Within one year	**27,519**	53,046
In the second to fifth years, inclusive	**9,165**	31,262
	36,684	84,308
Less: Impairment	**(19,437)**	–
	17,247	84,308
Less: Portion classified as current assets	**(8,082)**	(53,046)
Non-current portion	**9,165**	31,262

The Group entered into finance lease arrangements pursuant to which the lessees sold their vehicles to the Group and leased back the assets with lease periods ranging from 1.5 year 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 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.

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

At 31 March 2019, the effective interest rates applicable to the finance lease arrangements ranged from approximately 7.90% to 12.48% per annum (31 December 2017: 7.74% to 13.78%). The maturity profile of receivables under LNG finance lease arrangements at the end of the reporting period, is as follows:

	31 March 2019 HK$'000	31 December 2017 HK$'000
Neither past due nor impaired	**16,898**	79,271
Past due but not impaired:		
Within 3 months	**326**	2,056
4 to 6 months	**23**	1,460
7 to 9 months	**–**	1,225
10 to 12 months	**–**	150
Over 1 year	**–**	146
	17,247	84,308

Set out below is the information about the credit risk exposure on the Group's receivables under LNG finance lease arrangements using a provision matrix:

As at 31 March 2019

		Past due					
	Current	**Within 3 months**	**4 to 6 months**	**7 to 9 months**	**10 to 12 months**	**Over 1 year**	**Total**
Expected credit losses rate	**23.29%**	**88.51%**	**99.08%**	**100%**	**100%**	**100%**	
Gross carrying amount (HK$'000)	**22,027**	**2,836**	**2,513**	**1,981**	**1,405**	**5,922**	**36,684**
Expected credit losses (HK$'000)	**5,129**	**2,510**	**2,490**	**1,981**	**1,405**	**5,922**	**19,437**

The movements in the loss allowance for impairment of receivables under LNG finance lease arrangements are as follows:

	31 March 2019 HK$'000	31 December 2017 HK$'000
At beginning of the period	**–**	–
Effect of adoption of HKFRS 9	**11,613**	–
At beginning of the period (restated)	**11,613**	–
Impairment losses	**7,824**	–
At end of the period	**19,437**	–

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 management has assessed their financial position and performance as well as collateral 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. 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.

20. LNG FINANCE LEASE RECEIVABLES

	Minimum lease payments 2019 HK$'000	Minimum lease payments 2017 HK$'000	**Present value of minimum lease payments 2019 HK$'000**	Present value of minimum lease payments 2017 HK$'000
Within one year	**42,527**	79,522	**35,793**	68,288
In the second to fifth years, inclusive	**–**	29,229	**–**	25,082
	42,527	108,751	**35,793**	93,370
Less: Unearned finance income	**(6,734)**	(15,381)		
Present value of minimum lease payment receivables	**35,793**	93,370		
Less: Impairment	**(27,346)**	–	**(27,346)**	–
	8,447	93,370		
Less: Portion classified as current assets			**(8,447)**	(68,288)
Non-current portion			**–**	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 periods ranging from 2 years to 4.5 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 interest accrued under the finance lease contracts. The lessees obtain control of the assets after entering into the contracts.

At 31 March 2019, the effective interest rates applicable to the finance lease ranged from approximately 7.69% 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:

	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Neither past due nor impaired	**8,318**	76,131
Past due but not impaired:		
Within 3 months	**103**	4,787
4 to 6 months	**21**	3,905
7 to 9 months	**5**	3,160
10 to 12 months	**–**	778
Over 1 year	**–**	4,609
	8,447	93,370

20. LNG FINANCE LEASE RECEIVABLES *(continued)*

Set out below is the information about the credit risk exposure on the Group's LNG finance lease receivables using a provision matrix:

As at 31 March 2019

		Past due					
	Current	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	Over 1 year	Total
Expected credit losses rate	**45.44%**	**95.29%**	**99.12%**	**99.76%**	**–**	**–**	
Gross carrying amount (HK$'000)	**15,245**	**2,180**	**2,389**	**2,184**	**2,221**	**11,574**	**35,793**
Expected credit losses (HK$'000)	**6,927**	**2,077**	**2,368**	**2,179**	**2,221**	**11,574**	**27,346**

The movements in the loss allowance for impairment of LNG finance lease receivables are as follows:

	31 March 2019 HK$'000	31 December 2017 HK$'000
At beginning of the period	**–**	–
Effect of adoption of HKFRS 9	**29,747**	–
At beginning of the period (restated)	**29,747**	–
Reversal of impairment losses	**(2,401)**	–
At end of the period	**27,346**	–

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 management has assessed their financial position and performance as well as collateral 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.

21. INVENTORIES

	31 March 2019 HK$'000	31 December 2017 HK$'000
LNG	**21,242**	34,615

22. LOAN RECEIVABLES

	31 March 2019 HK$'000	31 December 2017 HK$'000
Loan receivables	**187,820**	168,774
Less: Impairment	**(1,016)**	–
	186,804	168,774

Loan receivables relate to 2 customers (31 December 2017: 3). 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 management. Loan receivables are charged at the effective interest rates mutually agreed with contracting parties at fixed rates of 12% to 18% (31 December 2017: 12% to 15%) per annum.

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

The movements in the loss allowance for impairment of loan receivables are as follows:

	31 March 2019 HK$'000	31 December 2017 HK$'000
At beginning of the period	**–**	–
Effect of adoption of HKFRS 9	**–**	–
At beginning of the period (restated)	**–**	–
Impairment losses	**1,016**	–
At end of the period	**1,016**	–

The ageing analysis of gross receivables at the end of reporting period is as follows:

	31 December 2017 HK$'000
Neither past due nor impaired	61,295
Past due but not impaired:	
Within 3 months	–
Over 3 months	107,479
	168,774

22. LOAN RECEIVABLES *(continued)*

For those balances which were past due but not impaired, they are related to a borrower for which management has assessed its financial position and performance as well as collateral.

The Group holds collateral or other credit enhancement over its loan receivables balance of HK$187,820,000 (31 December 2017: HK$168,774,000) out of which a loan receivable of HK$127,817,000 (31 December 2017: HK$107,479,000) from a non-controlling shareholder of Key Fit Group Limited, a 60.42%-owned subsidiary of the Company, was collateralised with shares of Key Fit Group Limited. The Group estimated the loss given default of the loan at 0% based on the expected disposal price of collateral at HK$145,000,000 (31 December 2017: HK$145,000,000) (i.e. HK$2.92 per share).

Subsequent to the reporting period, the son of Dr. Kan acquired from the non-controlling shareholders 2% of shares of Key Fit Group Limited at a consideration of HK$35,000,000 (i.e. HK$2.92 per share), which was applied to partially settle the loan receivable.

As at 31 March 2019, an impairment of HK$1,016,000 (31 December 2017: Nil) was made to another loan receivable of a gross amount of HK$60,003,000 (31 December 2017: HK$61,295,000). Life time probability of default rate of 12.88% (31 December 2017: 4.96%) and loss given default rate of 13.15% (31 December 2017: Nil) are applied in the impairment calculation.

23. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Notes	**31 March 2019 HK$'000**	31 December 2017 HK$'000
Accounts receivables arising from dealing in securities	(a)		
Cash clients		**325**	554
Margin clients		**54,594**	43,195
Less: Impairment		**(4,779)**	–
		49,815	43,195
Hong Kong Securities Clearing Company Limited		**197**	447
Accounts receivables arising from LNG business	(b)	**84,487**	72,514
Less: Impairment		**(5,055)**	–
		79,432	72,514
Total accounts receivables		**129,769**	116,710
Prepayments		**107,111**	95,097
Deposits and other receivables	(c)	**25,124**	113,636
Loans to third parties	(d)	**1,881**	1,983
Amounts due from shareholders of non-controlling interests	(e)	**–**	73,543
Value-added tax recoverable		**86,292**	28,529
		350,177	429,498

23. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(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 the trade date.

At 31 March 2019, the accounts receivables from margin clients were repayable on demand, interest-bearing at 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$51,909,000 (31 December 2017: HK$52,342,000).

No detailed ageing analysis is disclosed as in the opinion of the directors, the ageing analysis does not give additional value in view of the nature of the securities dealing business.

Analysis of changes in the corresponding ECL allowance is as follows:

	31 March 2019			
	Stage 1 HK$'000	**Stage 2 HK$'000**	**Stage 3 HK$'000**	**Total HK$'000**
As at 1 January 2018	–	–	–	–
Other changes (including new assets and derecognised assets)	**1,103**	–	**3,676**	**4,779**
Transfer to lifetime expected credit loss –not credit impaired (Stage 2)	–	–	–	–
Transfer to lifetime expected credit loss – credit impaired (Stage 3)	–	–	–	–
As at 31 March 2019	**1,103**	–	**3,676**	**4,779**
Arising from: Margin clients	**1,103**	–	**3,676**	**4,779**
ECL rate	**2.4%**	–	**41.6%**	

During the period, there was no transfer expected credit losses or changes in risk parameters.

23. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(continued)*

Notes: *(continued)*

(b) The Group has established credit policies that follow local industry standards. The average normal credit periods offered to trade customers are within 30 to 90 days. The ageing analysis of accounts receivables arising from LNG business presented based on the invoice date and net of loss allowance is as follows:

	31 March 2019 HK$'000	31 December 2017 HK$'000
Within 3 months	**46,747**	61,839
4 to 6 months	**18,932**	10,675
7 to 9 months	**5,231**	–
10 to 12 months	**7,190**	–
Over 12 months	**1,332**	–
	79,432	72,514

Impairment under HKFRS 9 for the period from 1 January 2018 to 31 March 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivables are written off if past due for more than one year and are not subject to enforcement activity.

The movements in the loss allowance for impairment of accounts receivables arising from LNG business are as follows:

	31 March 2019 HK$'000	31 December 2017 HK$'000
At beginning of the period	**–**	–
Effect of adoption of HKFRS 9	**–**	–
At beginning of the period (restated)	**–**	–
Impairment losses	**5,055**	–
At end of the period	**5,055**	–

Set out below is the information about the credit risk exposure on the Group's accounts receivables arising from LNG business using a provision matrix:

As at 31 March 2019

		Past due				
	Current	**Within 3 months**	**4 to 6 months**	**7 to 9 months**	**10 to 12 months**	**Total**
Expected credit losses rate	**1.88%**	**4.32%**	**9.32%**	**14.07%**	**54.39%**	
Gross carrying amount (HK$'000)	**47,643**	**19,787**	**5,769**	**8,367**	**2,921**	**84,487**
Expected credit losses (HK$'000)	**896**	**855**	**538**	**1,177**	**1,589**	**5,055**

23. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(continued)*

Notes: *(continued)*

(b) *(continued)*

Impairment under HKAS 39 for the year ended 31 December 2017

The ageing analysis of the accounts receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	31 December 2017 HK$'000
Neither past due nor impaired	38,084
Past due but not impaired:	
Within 3 months	26,385
4 to 6 months	8,045
	72,514

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

(c) The balance mainly represents rental deposits and deposits with suppliers. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate as at 31 March 2019 was considered to be minimal.

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

(d) The loans were unsecured, interest-bearing at 8% per annum and repayable on demand.

(e) The amounts for the prior year represented loan from shareholders of non-controlling interests. The amounts were unsecured, interest-free and repayable on demand. The amounts were fully settled in the current period.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2019 HK$'000	31 December 2017 HK$'000
Unlisted investment at fair value	**–**	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 an expected maximum interest rate of 5.0% 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 investment is classified as financial assets at fair value through profit and loss as the contractual cash flows are not satisfied for the SPPI. The Group has redeemed the investment during the period from 1 January 2018 to 31 March 2019 at HK$18,966,000 (equivalent to approximately RMB15,797,000) with a gain of HK$55,000 (equivalent to approximately RMB47,000) recognised in the consolidated statement of profit or loss.

25. BANK BALANCES HELD ON BEHALF OF CLIENTS

The Group maintains client bank accounts with authorised financial institutions to receive and hold money deposited by clients in the course of conducting 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 payables to the respective clients. However, the Group currently does not have an enforceable right to offset those payables with the deposits placed.

26. CASH AND CASH EQUIVALENTS

	31 March 2019 HK$'000	31 December 2017 HK$'000
Cash and bank balances	**100,386**	363,581
Cash on hand	**2**	581
	100,388	364,162

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$54,526,000 (2017: HK$101,400,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

27. ACCOUNTS PAYABLES

	Notes	31 March 2019 HK$'000	31 December 2017 HK$'000
Accounts payables arising from dealing in securities	(a)		
Cash clients	(b)	**15,091**	41,946
Margin clients	(c)	**1,752**	2,702
Accounts payables arising from LNG business	(d)	**60,408**	68,510
		77,251	113,158

Notes:

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

The accounts payables amounting to approximately HK$15,247,000 (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 payables arising from the ordinary course of business of dealing in securities are mainly denominated in Hong Kong dollars.

(b) Included in prior year balance was balance of HK$29,024,000 deposited by Dr. Kan, an executive director and the chairman of the Company for securities activities mentioned in note (a) above.

(c) Last year's balance included HK$2,133,000 which was deposited by BK Fund Management, a company controlled by Dr. Kan.

(d) An ageing analysis of the accounts payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 March 2019 HK$'000	31 December 2017 HK$'000
Within 3 months	**26,355**	57,655
4 to 6 months	**9,647**	10,855
Over 6 months	**24,406**	–
	60,408	68,510

The accounts payables are non-interest-bearing and are normally settled on 30 to 90 days terms.

28. OTHER PAYABLES AND ACCRUALS

	Notes	**2019 31 March HK$'000**	2017 31 December HK$'000
Accruals and other payables		**56,200**	115,860
Contract liabilities	(a)	**53,440**	–
Guaranteed deposits on LNG finance leases and finance leases arrangements		**14,539**	19,270
Loans from a shareholder	(b)	**493,922**	30,284
Interest payable on loans from a shareholder	(b)	**20,647**	–
Loans from third parties	(c)	**48,842**	–
Loans from joint ventures	(d)	**47,907**	–
Amounts due to shareholders of non-controlling interests	(e)	**3,367**	59,983
Payable for the right to acquire plant and equipment	13	**305,271**	–
		1,044,135	225,397
Non-current portion of loans from a shareholder		**(493,922)**	–
Current portion		**550,213**	225,397

Notes:

(a) Contract liabilities represented short-term advances received before sales and distribution of LNG to customers. As at 1 January 2018, upon adoption of HKFRS 15, the Group reclassified HK$80,201,000 from other payables to contract liabilities.

(b) Balance of HK$493,922,000 (2017: HK$30,284,000) represented loans from a shareholder, Dr. Kan, of RMB20,000,000 (equivalent to approximately HK$23,369,000) (2017: Nil) and HK$470,553,000 (2017: HK$30,284,000) which bear interest at 8% and 5% per annum, respectively. The loans are unsecured and repayable on demand. During the period, Dr. Kan agreed not to demand repayment of these loans until 30 June 2020. Balance of HK$20,647,000 (2017: Nil) represents interest on the loans from a shareholder.

(c) The balance represents loans from third parties of RMB41,800,000 (equivalent to approximately HK$48,842,000) which are unsecured, bear interest at 8% per annum and are repayable on demand.

(d) The loans from joint ventures are unsecured, bear interest at 4.79% to 6% per annum and are repayable on demand.

(e) The balances represented advances from shareholders of non-controlling interests. The balances were unsecured, interest-free and repayable on demand.

29. INTEREST-BEARING BANK BORROWINGS

	31 March 2019		
	Effective interest rate (%)	**Maturity**	**HK$'000**
Bank loan-unsecured	Loan prime rate* +0.04%	2019	**11,685**
Bank loan-unsecured	People's Bank of China benchmark interest rate x 160%	2019	**38,559**
			50,244

The bank loans are supported by corporate guarantee provided by certain of the Company's wholly-owned subsidiaries of RMB43,000,000 (equivalent to approximately HK$50,244,000). The Group's bank borrowings are denominated in Renminbi.

* The loan prime rate is based on the best loan rate quotations of commercial banks in Mainland China, which is authorised and published by the National Interbank Funding Centre on each business day.

30. FINANCE LEASE ARRANGEMENTS

The Group leases certain of its motor vehicles for its sales and distribution of LNG business. These leases are classified as finance leases and have remaining lease terms ranging from one to two years.

	Minimum lease payments 31 March 2019 HK$'000	Minimum lease payments 31 December 2017 HK$'000	**Present value of minimum lease payments 31 March 2019 HK$'000**	Present value of minimum lease payments 31 December 2017 HK$'000
Within one year	**9,444**	–	**8,415**	–
In the second year	**4,893**	–	**4,736**	–
Total minimum finance lease payments	**14,337**	–	**13,151**	–
Future finance charges	**(1,186)**	–		
Total net lease payment payables	**13,151**	–		
Portion classified as current liabilities in other payables and accruals	**(8,415)**	–		
Non-current portion	**4,736**	–		

31. SHARE CAPITAL

	31 March 2019 HK$'000	31 December 2017 HK$'000
Issued and fully paid:		
5,643,797,090 (31 December 2017: 5,616,123,090) ordinary shares	**112,876**	112,322

A summary of movements in the Company's share capital is as follows:

	Notes	**Number of shares in issue**	**Share capital** HK$'000	**Share premium** HK$'000	**Total** HK$'000
At 1 January 2017		56,387,070,908	112,774	428,029	540,803
Share Consolidation	(a)	(50,748,363,818)	–	–	–
Shares repurchased and cancelled	(b)	(22,584,000)	(452)	(26,750)	(27,202)
At 31 December 2017 and 1 January 2018		**5,616,123,090**	**112,322**	**401,279**	**513,601**
Conversion of convertible notes	(c)	**27,674,000**	**554**	**33,106**	**33,660**
At 31 March 2019		**5,643,797,090**	**112,876**	**434,385**	**547,261**

Notes:

(a) Pursuant to the extraordinary general meeting passed on 10 August 2017, every ten shares of the issued and unissued ordinary shares with a par value of HK$0.002 each in the share capital of the Company were consolidated into 1 ordinary share with a par value of HK$0.02 each ("Share Consolidation"). The authorised share capital of the Company has become HK$400,000,000 divided into 20,000,000,000 consolidated shares of par value of HK$0.02 each. The consolidated 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 of Hong Kong Limited. The difference between the 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 period from 1 January 2018 to 31 March 2019, the holder of convertible notes converted an aggregate principal amount of HK$34,001,000 for conversion of 27,674,000 ordinary shares of the Company on average at conversion prices of HK$1.2286 per conversion share (note 33), resulting in the addition of share capital of HK$554,000 and share premium of HK$33,106,000.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The special reserve of the Group represents (i) the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the group reorganisation; and (ii) the difference between the consideration paid for acquisition of additional interests in subsidiaries and the net carrying amounts of the acquired portion.

33. 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 are to be issued in a single tranche with an interest rate of 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. The Convertible Notes would be converted at 99% of the remaining principal amount by the Company upon maturity on 1 June 2018. To secure the performance of the Company's obligations under the terms and conditions, 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 29 January 2018.

On 20 February 2018, the Company issued the Convertible Notes at 99% issue price of the principal amount of HK$800 million to Macquarie. During the current period, Macquarie exercised the conversion rights attached to the Convertible Notes in an aggregate principal amount of HK$34,001,000 at an average conversion price of HK$1.2286, representing an average discount of 6.56% on the closing market price as quoted on the Stock Exchange immediately preceding the date that the shares were issued. Net proceeds of approximately HK$33,660,000 from issue of conversion shares were used by the Company for general working capital purposes.

On 1 June 2018, being the maturity date of the Convertible Notes, the remaining outstanding Convertible Notes have been redeemed and cancelled by the Company at HK$758,340,000. The charge over its cash account opened with Macquarie was also released on the same date. As at 31 March 2019, the Company has no outstanding Convertible Notes.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the derivatives component and is included in liabilities.

Movements of the Convertible Notes issued during the period have been split into the host and derivatives components are as follows:

	Host HK$'000	**Derivatives** HK$'000	**Total** HK$'000
As at the issue date of convertible notes	789,025	2,975	792,000
First conversion	(13,958)	(43)	(14,001)
Fair value change of convertible notes	(11,588)	13,847	2,259
Second conversion	(19,590)	(410)	(20,000)
Transaction cost	341	–	341
Interest expenses	2,190	–	2,190
Interest paid	(2,190)	–	(2,190)
Redemption	(758,340)	–	(758,340)
Loss on redemption of convertible notes	14,110	(16,369)	(2,259)
	–	–	–

34. ACQUISITION OF SUBSIDIARIES

(a) On 6 August 2018, Gang Zong Trading (Shanghai) Co., Ltd (港縱貿易(上海)有限公司) ("Gang Zong Trading"), an indirectly wholly-owned subsidiary of the Company, entered into an 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 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") at a consideration of RMB6,800,000 (equivalent to approximately to HK$8,037,000). After the completion of acquisition of 48.5% equity interests in Jiang Yin Hongwei Transportation, Gang Zong Trading would further contribute RMB5,300,000 to increase the paid-in capital of Jiang Yin Hongwei Transportation from RMB5,000,000 to RMB10,300,000. After the increment of paid-in capital, Gang Zong Trading would own 75% interests in Jiang Yin Hongwei Transportation. As at 31 March 2019 and the date of approval of these financial statements, the capital injection of RMB10,300,000 is not completed.

On 3 December 2018, Gang Zong Trading further entered into another equity transfer agreement with Jiangsu Chengbo Technology, pursuant to which Jiangsu Chengbo Technology has agreed to sell, and Gang Zong Trading has agreed to purchase, 25% equity interests in Jiang Yin Hongwei Transportation at a cash consideration of RMB7,200,000, (equivalent to approximately HK$8,506,000).

On 11 January 2019, the Group completed the acquisition of the remaining 25% equity interests in Jiang Yin Hongwei Transportation. Following the completion of acquisition of 25% equity interests in Jiang Yin Hongwei Transportation, Jiang Yin Hongwei Transportation became a wholly-owned subsidiary of Gang Zong Trading.

The fair values of the identifiable assets and liabilities of Jiang Yin Hongwei Transportation as at the date of acquisition were as follows:

	Notes	HK$'000
Property, plant and equipment	13	**12,849**
Intangible assets	16	**6,815**
Accounts receivables and other receivables		**905**
Prepayment		**329**
Cash and bank balances		**566**
Accounts and other payables		**(1,604)**
Deferred tax liabilities	9(b)	**(3,958)**
Total identifiable net assets at fair value		**15,902**
Goodwill on acquisition	15	**513**
Satisfied by:		
Cash consideration (RMB14,000,000)		**16,415**

Included in the goodwill of HK$513,000 recognised above is a transportation network, which is not recognised separately. Because the network is built with various customers, it is not separable and therefore it does not meet the criteria for recognition as an intangible asset under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

34. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) *(continued)*

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	**(16,415)**
Cash and bank balances acquired	**566**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(15,849)**

Since the acquisition, Jiang Yin Hongwei Transportation contributed HK$10,892,000 to the Group's revenue and profit of HK$5,450,000 to the consolidated loss for the period from 1 January 2018 to 31 March 2019.

Had the combination taken place at the beginning of the period, the revenue from continuing operations of the Group and the loss of the Group for the period would have been HK$2,721,990,000 and HK$229,083,000, respectively.

(b) On 9 January 2017, the Group acquired a 60% equity interest of Shandong Aohai Natural Gas Technology Co., Ltd. (山東奧海天然氣資源技術有限公司) ("Shandong Aohai") at a cash consideration of HK$1,000. Shandong Aohai is principally engaged in the trading of LNG and investment, development, management and operation of LNG equipment in the PRC. Following the completion of the acquisition of the remaining 40% equity interest of Shandong Aohai, Shandong Aohai became a wholly-owned subsidiary of the Company (note 36(b)).

The fair values of the identifiable assets and liabilities of Shandong Aohai acquired as at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	5
Inventories	314
Prepayments, deposits and other receivables	1,838
Cash and bank balances	73
Accounts and other payables	(2,357)
Total identifiable net assets at fair value	(127)
Non-controlling interests	51
	(76)
Goodwill on acquisition	77
Satisfied by:	
Cash consideration	1

34. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) *(continued)*

An analysis of the cash flows in respect of the acquisition of Shandong Aohai is as follows:

	HK$'000
Cash consideration	(1)
Cash and bank balances acquired	73
Net inflow of cash and cash equivalents included in cash flows from investing activities	72
Transaction costs of the acquisition included in cash flows from operating activities	(27)
	45

(c) On 11 July 2017, the Group acquired a 51% equity interest of Qingdao Aobo Shunta Gas Co., Ltd. (青島奧博順拓氣體有限公司) ("Qingdao Aobo") by injecting a sum of approximately HK$3,631,000, of which the entire amount was recognised as the paid up capital of Qingdao Aobo. Qingdao Aobo is principally engaged in sales and distribution of LNG, LNG supply and management in the PRC. After the completion of the acquisition, Qingdao Aobo became a 51%-owned subsidiary of the Company.

The fair values of the identifiable assets and liabilities of Qingdao Aobo acquired as at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	5,435
Prepayments, deposits and other receivables	8,746
Cash and bank balances	125
Accounts and other payables	(7,855)
Total identifiable net assets at fair value	6,451
Non-controlling interests	(3,161)
	3,290
Goodwill on acquisition	341
Satisfied by:	
Consideration in the form of capital injection to Qingdao Aobo	3,631

34. ACQUISITION OF SUBSIDIARIES *(continued)*

(c) *(continued)*

An analysis of the cash flows in respect of the acquisition of Qingdao Aobo is as follows:

	HK$'000
Cash consideration	–
Cash and bank balances acquired	125
Net inflow of cash and cash equivalents included in cash flows from investing activities	125
Transaction costs of the acquisition included in cash flows from operating activities	(79)
	(46)

(d) On 1 August 2017, the Group acquired a 100% equity interest of Shengran Gas at a cash consideration of HK$640,000. Shengran Gas did not engage any significant business activities and held a road transportation operation permit of dangerous goods.

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

	HK$'000
Intangible assets acquired (note 16)	640
Satisfied by:	
Cash consideration	640

An analysis of the cash flows in respect of the acquisition of Shengran Gas is as follows:

	HK$'000
Cash consideration and net outflow of cash and cash equivalents included in cash flows from investing activities	640
Transaction costs of the acquisition included in cash flows from operating activities	–
	640

35. DISPOSAL OF SUBSIDIARIES

(a) On 4 September 2017, the Company and the purchaser, Lihua Energy Storage Transportation Co., Ltd (利華能源儲運股份有限公司) entered into a sale and purchase agreement, the Company agreed to dispose of the entire 51% interest in 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.

After the completion of the disposal of the 51% interest in Hebei Tiandao at a cash consideration of approximately RMB47,900,000 (equivalent to approximately HK$57,514,000) on 4 January 2018, Hebei Tiandao has ceased to be a subsidiary of the Group since then.

	HK$'000	HK$'000
Net assets disposed of:		
Property, plant and equipment		
cost	1,873	
accumulated depreciation	(6)	
		1,867
Goodwill		8,727
Deposits for acquisition of property, 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)
Gain on disposal of a subsidiary		3,578
		57,514
Satisfied by:		
Cash consideration		57,514

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Hebei Tiandao during the period was as follows:

Cash consideration	57,514
Cash and cash equivalents disposed of	(357)
Net inflow of cash and cash equivalents in respect of the disposal of Hebei Tiandao	57,157

35. DISPOSAL OF SUBSIDIARIES *(continued)*

(b) On 7 August 2017, the Group disposed of the entire equity interests of its two wholly-owned subsidiaries, ACE and SLL at a total cash consideration of HK$67,200,000 (note 10).

The carrying amounts of the net assets for disposal in respect of ACE and SLL were as follows:

	HK$'000	HK$'000
Net assets disposed of:		
Investment properties		66,000
Property, plant and equipment		
cost	622	
accumulated depreciation	(601)	
		21
Deposits and other receivables		47
Cash and bank balances		1,136
Deposit		(140)
Deferred tax liabilities		(378)
		66,686
Gain on disposal of ACE and SLL		514
		67,200
Satisfied by:		
Cash consideration		67,200

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of ACE and SLL during the year was as follows:

Cash consideration	67,200
Cash and cash equivalents disposed of	(1,136)
Net inflow of cash and cash equivalents in respect of the disposal of ACE and SLL	66,064

36. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

(a) On 13 February 2018, (i) CLNG Natural Gas Co., Ltd (港能天然氣有限責任公司) ("Purchaser I"), an indirectly wholly-owned subsidiary of the Company, entered into an 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 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 a cash 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 indirectly wholly-owned subsidiary of the Company, entered into an 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 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 a cash consideration of RMB8,650,000. After the completion of acquisition of 35% equity interests in Hebei Dezhong and 40% equity interest in Hubei Gangshun, Hebei Dezhong and Hubei Gangshun have become wholly-owned subsidiaries of the Company.

For acquisition of 40% interests of Hubei Gangshun

	HK$'000
Carrying amount of Hubei Gangshun on the acquisition date	8,850
Carrying amount of non-controlling interests on the acquisition date	3,540
Consideration (RMB8,650,000)	(10,130)
Difference recognised in special reserve	(6,590)

For acquisition of 35% interests of Hebei Dezhong

	HK$'000
Carrying amount of Hebei Dezhong on the acquisition date	(6,538)
Carrying amount of non-controlling interests on the acquisition date	(2,288)
Consideration paid (RMB8,520,000)	(9,976)
Difference recognised in special reserve	(12,264)

For details, please refer to the announcement on 14 February 2018 and circular dated 24 August 2018 of the Company.

36. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES *(continued)*

(b) During the current period, the Company entered into equity transfer agreements to acquire additional interests from non-controlling interests of certain subsidiaries, namely 寧波港福天然氣有限公司 ("Ningbo Gangfu"), 河北港眾天然氣有限公司 ("Hebei Gangzhong") and Shandong Aohai, with cash considerations of HK$119,000, Nil and HK$2,076,000, respectively. After the completion of acquisitions of the equity interests, the three subsidiaries became wholly-owned subsidiaries of the Company.

For acquisition of 1% interests of Ningbo Gangfu

	HK$'000
Carrying amount of Ningbo Gangfu on the acquisition date	11,731
Carrying amount of non-controlling interests on the acquisition date	117
Consideration (RMB100,000)	(119)
Difference recognised in special reserve	(2)

For acquisition of 7% interests of Hebei Gangzhong

	HK$'000
Carrying amount of Hebei Gangzhong on the acquisition date	2,057
Carrying amount of non-controlling interests on the acquisition date	144
Consideration paid (RMB Nil)	–
Difference recognised in special reserve	144

For acquisition of 40% interests of Shandong Aohai

	HK$'000
Carrying amount of Shandong Aohai on the acquisition date	(439)
Carrying amount of non-controlling interests on the acquisition date	(176)
Consideration (RMB1,800,000)	(2,076)
Difference recognised in special reserve	(2,252)

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

31 March 2019

	Loans from a shareholder HK$'000	Convertible notes HK$'000	Interest-bearing bank borrowings HK$'000	Other payables and accruals HK$'000
At 1 January 2018	–	–	–	225,397
Transfer	30,284	–	–	(30,284)
Changes from financing activities				
– Loans from a shareholder	464,187	–	–	–
– Issuance of convertible notes	–	33,660	–	–
– Interest paid on convertible notes	–	(2,190)	–	–
– Interest paid on interest-bearing bank borrowings	–	–	(905)	–
– Interest paid on loans from third parties	–	–	–	(3,384)
– New bank loans	–	–	50,811	–
– Loans from third parties	–	–	–	49,394
– Advance of loans from joint ventures	–	–	–	47,907
Interest expenses	–	2,190	905	23,747
Right to acquire plant and equipment	–	–	–	305,271
Changes classified as operating cash flows	–	–	–	(60,593)
Conversion of convertible notes	–	(33,660)	–	–
Foreign exchange movement	(549)	–	(567)	(7,242)
At 31 March 2019	493,922	–	50,244	550,213

31 December 2017

	Loans from a shareholder HK$'000	Convertible notes HK$'000	Interest-bearing bank borrowings HK$'000	Other payables and accruals HK$'000
At 1 January 2017	–	–	–	79,096
Changes from financing activities				
– Loans from a shareholder	30,000	–	–	–
– Repayment to a shareholder	–	–	–	(38,015)
Interest expenses	284	–	–	–
Changes classified as operating cash flows	–	–	–	139,202
Foreign exchange movement	–	–	–	14,830
Transfer	(30,284)	–	–	30,284
At 31 December 2017	–	–	–	225,397

(b) Non-cash transaction

During the current period, the liability related to the right to acquire plant and equipment of HK$305,271,000 is not settled (notes 13 and 28).

38. OPERATING LEASE COMMITMENT

As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to thirty years, and those for office equipment are for terms ranging between two and five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 March 2019 HK$'000	31 December 2017 HK$'000
Within one year	**10,620**	8,382
In the second to fifth years inclusive	**6,890**	11,443
Over five years	**9,876**	1,029
	27,386	20,854

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group had the following capital commitments at the end of the reporting period:

	31 March 2019 HK$'000	31 December 2017 HK$'000
Contracted but not provided for:		
Property, plant and equipment	**198,838**	82,630

In addition, the Group's share of a joint venture's own capital commitments, which are not included in the above, is as follows:

	31 March 2019 HK$'000	31 December 2017 HK$'000
Contracted but not provided for	**7,682**	–

40. RELATED PARTY TRANSACTIONS

(a) Saved as disclosed elsewhere in these financial statements, the Group had the following material transactions with its related parties during the year/period.

	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Service fee income from a related company owned by an executive director and the substantial shareholder	**233**	186
Brokerage income from an executive director and the substantial shareholder	**–**	3
Interest expense on loans from an executive director and the substantial shareholder	**20,363**	284
Proceeds from disposal of subsidiaries to an executive director and the substantial shareholder	**–**	67,200

Dr. Kan is an executive director and the chairman of the Company. As such, Dr. Kan is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Thus, the transactions mentioned above constitute continuing connected transactions for the Company under the Listing Rules.

(b) The Company entered into loan facility agreements with Dr. Kan in relation to the provision of standby facilities of HK$600,000,000 (2017: HK$390,000,000) to the Company by Dr. Kan. At 31 March 2019, this facility had been utilised to the extent of HK$493,922,000 (31 December 2017: HK$30,284,000).

(c) Compensation of key management personnel

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

	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Short-term benefits	**36,143**	19,264
Post-employment benefits	**6,737**	2,338
	42,880	21,602

Further details of director's emoluments are included in note 7 to the financial statements.

40. RELATED PARTY TRANSACTIONS *(continued)*

(d) Outstanding balances with related parties

(i) Details of the Group's loans from a shareholder, Dr. Kan, are included in note 28(b) to the financial statements.

(ii) Details of the loan to a joint venture and loans from joint ventures are included in notes 17 and 28(d) to the financial statements, respectively.

(iii) Details of the Group's amounts with shareholders of non-controlling interests are included in notes 23 and 28(e) to the financial statements.

(iv) Certain operating lease payment is guaranteed by a shareholder, Dr. Kan.

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	31 March 2019	31 December 2017
Percentage of equity interest held by non-controlling interests:		
Key Fit Group Limited and its subsidiaries	**39.58%**	39.58%
Hebei Tiandao	**–**	49.00%
Hubei Gangshun	**–**	40.00%

	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
Profit/(loss) for the period/year allocated to non-controlling interests:		
Key Fit Group Limited and its subsidiaries	**9,660**	(21,786)
Hebei Tiandao	**–**	(25)
Hubei Gangshun	**–**	(1,802)
Accumulated balances of non-controlling interests at the reporting date:		
Key Fit Group Limited and its subsidiaries	**429,036**	427,124
Hebei Tiandao	**–**	39,953
Hubei Gangshun	**–**	3,683

Information about Hebei Tiandao and Hubei Gangshun for the period from 1 January 2018 to 31 March 2019 is not disclosed above as Hebei Tiandao has been disposed of on 4 January 2018 (note 35(a)) and Hubei Gangshun became a wholly-owned subsidiary during the period from 1 January 2018 to 31 March 2019 (note 36(a)).

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

Period from 1 January 2018 to 31 March 2019	Key Fit Group Limited and its subsidiaries HK$'000	Hebei Tiandao HK$'000	Hubei Gangshun HK$'000
Revenue	57,737	–	–
Total expenses	(33,330)	–	–
Profit for the period	24,407	–	–
Total comprehensive income for the period	4,830	–	–
Current assets	1,407,062	–	–
Non-current assets	5,958	–	–
Current liabilities	(329,050)	–	–
Net cash flows used in operating activities	(404,544)	–	–
Net cash flows used in investing activities	(109,072)	–	–
Net cash flows from financing activities	267,369	–	–
Net decrease in cash and cash equivalents	(246,247)	–	–

Year ended 31 December 2017	Key Fit Group Limited and its subsidiaries HK$'000	Hebei Tiandao HK$'000	Hubei Gangshun HK$'000
Revenue	(43,032)	–	42,579
Total expenses	(12,011)	(50)	(47,085)
Loss for the year	(55,043)	(50)	(4,506)
Total comprehensive expenses for the year	(72,085)	(3,202)	(3,959)
Current assets	1,163,623	63,504	16,981
Non-current assets	121,882	18,056	28,693
Current liabilities	(206,365)	(23)	(36,466)
Net cash flows from/(used in) operating activities	(173,209)	(8,150)	15,038
Net cash flows from/(used in) investing activities	19,769	(1,024)	(22,764)
Net cash flows from/(used in) financing activities	(65,800)	8,140	6,977
Net decrease in cash and cash equivalents	(219,240)	(1,034)	(749)

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

31 March 2019

	At amortised cost and total HK$'000
Receivables under LNG finance lease arrangements	**17,247**
LNG finance lease receivables	**8,447**
Loan receivables	**186,804**
Accounts receivables	**129,769**
Financial assets included in deposits and other receivables	**27,005**
Bank balances held on behalf of clients	**15,247**
Cash and cash equivalents	**100,388**
	484,907

31 December 2017

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Financial assets at fair value through profit and loss	–	18,911	18,911
Receivables under LNG finance lease arrangements	84,308	–	84,308
LNG finance lease receivables	93,370	–	93,370
Loan receivables	168,774	–	168,774
Accounts receivables	116,710	–	116,710
Financial assets included in deposits and other receivables	189,162	–	189,162
Bank balances held on behalf of clients	44,211	–	44,211
Cash and cash equivalents	364,162	–	364,162
	1,060,697	18,911	1,079,608

42. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(continued)*

Financial liabilities

	31 March 2019 Financial liabilities at amortised cost HK$'000	31 December 2017 Financial liabilities at amortised cost HK$'000
Accounts payables	**77,251**	113,158
Financial liabilities included in other payables and accruals	**964,780**	130,718
Interest-bearing bank borrowings	**50,244**	–
Non-current portion of obligation under finance lease arrangements	**4,736**	–
	1,097,011	243,876

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and cash equivalents, bank balances held on behalf of clients, financial assets included in receivables under finance lease arrangements and LNG finance lease receivables, loan receivables, accounts and other receivables, loans from third parties, accounts and other payables, interest-bearing bank borrowings and finance lease payable. Details of these financial instruments are disclosed in the respective notes to these financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Credit risk

The Group's principal financial assets are cash and cash equivalents, receivables under finance lease arrangements and LNG finance lease receivables, loan receivables, accounts and other receivables and loans from third parties.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure as at 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Receivables under LNG finance lease arrangements *	–	–	–	36,684	36,684
LNG finance lease receivables *	–	–	–	35,793	35,793
Loan receivables					
– Default **	–	–	187,820	–	187,820
Accounts receivables arising from dealing in securities **					
– LTV at 100% or above	–	–	8,840	–	8,840
– LTV between 80% to 100%	43,448	–	–	–	43,448
– LTV below 80%	2,306	–	–	–	2,306
– Cash client and clearing house	522	–	–	–	522
Accounts receivables arising from LNG business *	–	–	–	84,487	84,487
Financial assets included in deposits and other receivables					
– Normal **	25,124	–	–	–	25,124
Loans to third parties					
– Not yet past due	1,881	–	–	–	1,881
Bank balance held on behalf of clients					
– Not yet past due	15,247	–	–	–	15,247
Cash and cash equivalents					
– Not yet past due	100,388	–	–	–	100,388
	188,916	–	196,660	156,964	542,540

* For receivables under LNG finance lease arrangements, LNG finance lease receivables and accounts receivables arising from LNG business to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in the respective notes to the financial statements.

** The credit quality is considered to be "normal" when they are not past due or the LTV is below 100% and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "default".

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure as at 31 December 2017

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

The Group's credit risk is primarily attributable to its receivables under finance lease arrangements, LNG finance lease receivables, loan receivables and accounts and other receivables. The management of the Group monitors each individual trade debt on an ongoing basis and the Group's exposure to bad debts is not significant. The Group has no significant concentration of credit risk, with the exposure spreading over a large number of counterparties and customers. Further quantitative data in respect of the Group's exposure to credit risk arising from these receivables are disclosed in notes 19, 20, 22 and 23 to the financial statements.

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its interest-bearing bank and other borrowings. Borrowings at variable rates expose the Group to interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors the Group's interest rate exposure and considers entering into interest rate swaps to reduce its exposure to interest rate fluctuations should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's equity (before any impact on tax).

	Increase in interest rate	Increase in loss before tax HK$'000	Decrease in equity* HK$'000
31 March 2019			
Interest-bearing bank borrowings	100 basis points	**502**	**–**

* Excluding retained profits

Foreign exchange risk

The Group operates mainly in Hong Kong and Mainland China with most of its transactions settled in Hong Kong dollars and Renminbi. Certain of the Group's monetary assets and liabilities are denominated in US$. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi and US$ against HK$. The Group considered the impact on equity from the change in US$ exchange rate was minimal at the end of the reporting period since HK$ is pegged to US$. In the current year, all of the Group's bank and other borrowings are denominated in Renminbi.

Management monitors the Group's currency exposure on an ongoing basis and considers entering into forward currency contracts when the need arises.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign exchange risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase in exchange rate %	Increase in loss before tax HK$'000
31 March 2019		
If the Hong Kong dollar weakens against Renminbi	**5**	**2,569**
31 December 2017		
If the Hong Kong dollar weakens against Renminbi	5	14,832

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 March 2019		
	On demand and less than 12 months HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Accounts payables	**77,251**	**–**	**77,251**
Financial liabilities included in other payables and accruals	**441,796**	**514,569**	**956,365**
Interest-bearing bank borrowings	**50,244**	**–**	**50,244**
Obligation under finance lease arrangements	**9,444**	**4,893**	**14,337**
	578,735	**519,462**	**1,098,197**

	31 December 2017		
	On demand and less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Accounts payables	113,158	–	113,158
Financial liabilities included in other payables and accruals	130,178	–	130,178
	243,876	–	243,876

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2017 and the period from 1 January 2018 to 31 March 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity of the Group. The Group's policy is to maintain the gearing ratio not exceeding 100%. Net debt includes accounts payables, other payables and accruals, interest-bearing bank borrowings, obligation under finance lease arrangements and cash and cash equivalents. Capital includes total equity of the Group. The gearing ratios as at the end of the reporting periods were as follows:

	31 March 2019 HK$'000	31 December 2017 HK$'000
Accounts payables	**77,251**	113,158
Other payables and accruals, and loans from a shareholder	**1,044,135**	225,397
Interest-bearing bank borrowings	**50,244**	–
Non-current portion of obligation under finance lease arrangements	**4,736**	–
Less: Cash and cash equivalents	**(100,388)**	(364,162)
Net debt/(cash)	**1,075,978**	(25,607)
Total equity	**900,429**	1,244,414
Gearing ratio	**119%**	N/A

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 March 2019 HK$'000	31 December 2017 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**462,945**	462,945
CURRENT ASSETS		
Amounts due from subsidiaries	**733,206**	536,653
Prepayments	**456**	209
Bank balances	**354**	321
Total current assets	**734,016**	537,183
CURRENT LIABILITIES		
Other payables and accruals	**116**	88
Amounts due to subsidiaries	**292,520**	311,676
Amount due to a shareholder	**9,321**	–
Loans from a shareholder	**–**	30,284
Total current liabilities	**301,957**	342,048
NET CURRENT ASSETS	**432,059**	195,135
NON-CURRENT LIABILITIES		
Loans from a shareholder	**226,553**	–
NET ASSETS	**668,451**	658,080
EQUITY		
Share capital	**112,876**	112,322
Reserves (note)	**555,575**	545,758
Total equity	**668,451**	658,080

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Special reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Total HK$'000
Balance at 1 January 2017	428,029	112,369	(10,432)	529,966
Total comprehensive income for the year	–	–	42,542	42,542
Shares repurchased and cancelled	(26,750)	–	–	(26,750)
At 31 December 2017 and 1 January 2018	401,279	112,369	32,110	545,758
Total comprehensive expenses for the period	**–**	**–**	**(23,289)**	**(23,289)**
Conversion of convertible notes	**33,106**	**–**	**–**	**33,106**
At 31 March 2019	**434,385**	**112,369**	**8,821**	**555,575**

45. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2019.

Financial Summary

	For the year ended 31 December				For the 15 months period end 31 March
	2014	2015	2016	2017	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	357,893	30,847	200,711	897,672	**2,670,934**
Profit/(loss) before taxation	351,389	401,571	155,141	(135,132)	**(247,748)**
Taxation	(57,657)	(557)	(2,332)	(16,935)	**(6,885)**
Profit/(loss) for the year	293,732	401,014	152,809	(152,067)	**(254,633)**
Attributable to:					
Equity shareholders of the Company	293,732	401,059	92,023	(123,729)	**(254,328)**
Non-controlling interests	–	(45)	60,786	(28,338)	**(305)**
Profit/(loss) for the year/period	293,732	401,014	152,809	(152,067)	**(254,633)**

	At 31 December				At 31 March
	2014	2015	2016	2017	**2019**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	549,329	1,122,619	1,627,362	1,588,160	**2,084,021**
Total liabilities	(57,028)	(274,748)	(245,084)	(343,746)	**(1,183,592)**
Total equity	492,301	847,871	1,382,278	1,244,414	**900,429**