CHINA LNG GROUP LIMITED
中國天然氣集團有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 931)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board (the "**Board**") of directors (the "**Directors**") of China LNG Group Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2016 (the "**Period**") together with the comparative figures for the previous corresponding period prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover – gross	*3*	**14,092**	190,076
Revenue			
Interest income from LNG finance lease arrangements	*3*	**3,108**	17
LNG finance leases interest income	*3*	**3,972**	–
Service fee income from leasing of LNG vehicles	*3*	**355**	40
Dividend income from held for trading investments	*3*	**–**	753
Gain on disposal of held for trading investments	*3*	**–**	10,343
Gain on fair value changes of held for trading investments	*3*	**416**	3,158
Loss on fair value changes of derivative financial instruments	*3*	**–**	(44)
Brokerage income	*3*	**675**	–
Rental income	*3*	**420**	420
Interest income from loan financing	*3*	**5,146**	–
		14,092	14,687
Other income and gains		**3,564**	11,900
Share of results of associates		**32,968**	–
Selling and distribution expenses		**(9,580)**	(1,713)
Administrative expenses		**(21,447)**	(16,868)
Profit before taxation	*5*	**19,597**	8,006
Taxation	*6*	**(673)**	(1,800)
Profit for the period		**18,924**	6,206
Attributable to:–			
Equity shareholders of the Company		**18,196**	6,206
Non-controlling interests		**728**	–
Profit for the period		**18,924**	6,206
Earnings per share (HK cents)			
– Basic	*8*	**0.03**	0.01
– Diluted	*8*	**0.03**	0.01

Details of dividends payable to equity shareholders of the Company are set out in Note 7.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

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

	Notes	**30 June 2016 (Unaudited)** *HK$'000*	31 December 2015 (Audited) *HK$'000*
Current liabilities			
Accounts payable	*14*	**254,642**	–
Accrued charges and other payables	*15*	**270,822**	274,436
Dividend payable		**56,385**	–
Income tax payable		**10,661**	21
		592,510	274,457
Net current assets		**1,035,633**	111,904
Total assets less current liabilities		**1,220,252**	848,162
Non-current liability			
Deferred tax liability		**291**	291
Net assets		**1,219,961**	847,871
Capital and reserves			
Share capital		**112,770**	112,770
Reserves		**686,609**	735,144
		799,379	847,914
Non-controlling interest		**420,582**	(43)
Total equity		**1,219,961**	847,871

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

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

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

2. BASIS OF PREPARATION

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

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 31 December 2015, except for the standards, amendments and interpretations (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards") issued by the HKICPA applicable to the annual period beginning on 1 January 2016. The effect of the adoption of these Hong Kong Financial Reporting Standards had no material effect on the Group's results of operations and financial position for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

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

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

3. TURNOVER AND REVENUE

Turnover – gross

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

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

Revenue

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

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

4. SEGMENT INFORMATION

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

The Group's principal activities are as follows:

(1) Development of the LNG businesses in the PRC

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

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

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

(2) Trading of securities

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

(4) Properties investment

(5) Financial services through provision of money lending business

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

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

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

	Financial provision through finance leasing services for LNG vehicles, vessels and equipment		**Provision of LNG in the midstream market**		**Provision of commercial vehicle platform services**		**Trading of securities**		**Provision of securities brokerage, margin financing and securities investments**		**Properties investment**		**Financial services through provision of money lending business**		**Consolidated**	
	Six months ended 30 June		**Six months ended 30 June**		**Six months ended 30 June**		**Six months ended 30 June**		**Six months ended 30 June**		**Six months ended 30 June**		**Six months ended 30 June**		**Six months ended 30 June**	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER																
External	**7,435**	57	**–**	–	**–**	–	**416**	189,599	**675**	–	**420**	420	**5,146**	–	**14,092**	190,076
REVENUE																
External	**7,435**	57	**–**	–	**–**	–	**416**	14,210	**675**	–	**420**	420	**5,146**	–	**14,092**	14,687
RESULTS																
Segment results	**(10,534)**	(7,618)	**(3,512)**	(1,281)	**(46)**	–	**(770)**	13,481	**(1,439)**	–	**210**	5,925	**5,140**	–	**(10,951)**	10,507
Other income and gains															**1,147**	165
Share of results of associates															**32,968**	–
Unallocated corporate expenses															**(3,567)**	(2,666)
Profit before taxation															**19,597**	8,006
Taxation															**(673)**	(1,800)
Profit for the period															**18,924**	6,206

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

5. PROFIT BEFORE TAXATION

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

6. TAXATION

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

Provision of Hong Kong Profits Tax for the period was calculated at 16.5% of the estimated assessable profits.

No provision for taxation has been made in respect of the Company's subsidiaries operating in other jurisdictions as they did not have assessable profits for both periods.

7. DIVIDENDS

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

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

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

8. EARNINGS PER SHARE

The calculation of weighted average number of shares of the Company (the "Shares") for the purpose of earnings per Share ("EPS") had taken into account the effect of the share subdivision of each of the issued and unissued Shares of HK$0.01 each in the share capital of the Company into five subdivided shares of HK$0.002 each ("Share Subdivision") effective on 10 August 2015.

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

The calculation of EPS attributable to equity shareholders of the Company for the period is based on the profit for the period of approximately HK$18,196,000 (2015: HK$6,206,000) and the weighted average number of 56,385,049,100 (2015: 56,384,706,980) Shares in issue for both basic and diluted EPS.

9. RECEIVABLES UNDER LNG FINANCE LEASE ARRANGEMENTS

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

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

The Group entered into finance lease arrangements pursuant to which the lessees sold their vehicles and vessels to the Group and leased back the assets with lease period ranging from 1.5 years to 5 years (2015: half year to 3 years) from the date of inception. The ownership of leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and the interest accrued under the finance lease arrangements. The lessees retain control of the assets before and after entering into the arrangements. These finance lease arrangements do not constitute leases for accounting purposes.

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

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

10. LNG FINANCE LEASE RECEIVABLES

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

The Group entered into finance lease contracts pursuant to which the Group purchased new vehicles or equipment from third party manufacturers or distributors of its choice or of the lessees' choice and leased back the assets to the lessees with lease period ranging from 2 years to 3 years (2015: 2 years to 3 years) from the date of inception. The ownership of the leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and the interest accrued under the finance lease contracts. The lessees retain control of the assets after entering into the contracts.

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

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

11. LOAN RECEIVABLES

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

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

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

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

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

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

12. ACCOUNTS RECEIVABLE

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

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

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

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

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

14. ACCOUNTS PAYABLE

	As at 30 June 2016 (Unaudited) *HK$'000*	As at 31 December 2015 (Audited) *HK$'000*
Amounts payable arising from dealing in securities:–		
Cash clients *(note 14(a))*	**253,049**	–
Margin clients	**1,593**	–
	254,642	–

Note:

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

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

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

15. ACCRUED CHARGES AND OTHER PAYABLES

	As at 30 June 2016 (Unaudited) *HK$'000*	As at 31 December 2015 (Audited) *HK$'000*
Accrued charges and other payables	**6,185**	7,178
Guaranteed deposits on LNG finance leases and finance leases arrangements	**14,637**	8,855
Amount due to an associate *(note 15(a))*	**–**	8,403
Amount due to a shareholder *(note 15(b))*	**250,000**	250,000
	270,822	274,436

Notes:–

(a) The amount is unsecured, interest-free and repayable on demand.

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

16. BUSINESS COMBINATION

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

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

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

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

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

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

17. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Liquefied Natural Gas (''LNG'')

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

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

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

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

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

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

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

Trading of securities

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

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

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

Securities brokerage

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

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

Property investment

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

Financial service

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

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

Other income and gains

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

Selling and distribution expenses

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

Administrative expenses

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

Share of results of associates

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

Income tax expense

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

Profit attributable to equity shareholders of the Company

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

Prospect

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

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

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

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

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

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

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

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

INTERIM DIVIDEND

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

RISK MANAGEMENT

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

Foreign currency

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

Credit risk

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

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

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

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

Liquidity risk

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

TREASURY POLICIES

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

PLEDGE OF ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

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

SEGMENTAL INFORMATION

Details of segmental information for the Period are set out in note 4 to this announcement.

CONTINGENT LIABILITIES

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

STAFF AND REMUNERATION POLICIES

As at 30 June 2016, the Group had 122 employees (31 December 2015: 78 employees). The Group's total staff costs amounted to approximately HK$16.4 million (For the year ended 31 December 2015: approximately HK$23.9 million) for the Period. The Group offers competitive remuneration packages to our employees. The Group remunerated its employees mainly based on the industry practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual's performance.

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

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

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "Audit Committee") include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2016.

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

CORPORATE GOVERNANCE CODE

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

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

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

3. Under the Code Provision A.6.7, non-executive directors, including independent non-executive directors, should attend board, committee and general meetings. Dr. Lam, Lee G., an non-executive Director, and Mr. Lam Lum Lee, an independent non-executive Director, were unable to attend the annual general meetings held on 24 May 2016, as they had other business engagements. However, they subsequently requested the joint company secretary of the Company to report to them on the views of the Shareholders in the general meetings. As such, the Board considers that the development of a balanced understanding of the views of Shareholders among the non-executive Directors and independent non-executive Directors was ensured.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

Hong Kong, 30 August 2016

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

* *For identification purposes only*