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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "Board") of directors (the "Directors") of China LNG Group Limited (the "Company") announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017, together with the comparative figures for the previous year prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Continuing operations			
Revenue	3	**896,952**	199,571
Cost of sales		**(899,294)**	(14,036)
Gross (loss)/profit		**(2,342)**	185,535
Other income and gains		**6,448**	12,863
Share of results of associates		**(1,581)**	32,968
Selling and distribution expenses		**(26,089)**	(20,422)
Administrative expenses		**(111,827)**	(57,310)
Finance costs		**(284)**	–
(Loss)/profit before taxation	5	**(135,675)**	153,634
Taxation	6	**(16,935)**	(2,199)
(Loss)/profit for the year from continuing operations		**(152,610)**	151,435
Discontinued operation			
Profit for the year from discontinued operation	8	**543**	1,374
(Loss)/profit for the year		**(152,067)**	152,809
Attributable to:–			
Equity shareholders of the Company		**(123,729)**	92,023
Non-controlling interests		**(28,338)**	60,786
(Loss)/profit for the year		**(152,067)**	152,809
(Loss)/earnings per share (HK cents)	9		(Restated)
From continuing and discontinued operations			
– Basic		**(2.195)**	1.632
– Diluted		**(2.195)**	1.632
From continuing operations			
– Basic		**(2.205)**	1.608
– Diluted		**(2.205)**	1.608
From discontinued operation			
– Basic		**0.010**	0.024
– Diluted		**0.010**	0.024

Detail of dividends paid or payable to equity shareholders of the Company were set out in note 7 to this announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(152,067)**	152,809
Other comprehensive income/(loss) for the year, net of tax:–		
Item that may be subsequently reclassified to profit or loss:–		
Exchange differences on translating foreign operations	**48,353**	(32,730)
Total comprehensive (loss)/income for the year	**(103,714)**	120,079
Total comprehensive (loss)/income for the year attributable to:–		
Equity shareholders of the Company	**(63,584)**	61,950
Non-controlling interests	**(40,130)**	58,129
	(103,714)	120,079

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Non-current assets			
Investment properties	*10*	–	66,000
Plant and equipment		**261,086**	34,930
Goodwill		**9,161**	8,493
Other intangible assets		**2,794**	2,233
Interest in associates		**13,676**	–
Deposit for acquisition of plant and equipment		**63,344**	35,650
Deposit for acquisition of a subsidiary and associates		–	9,724
Receivables under LNG finance lease arrangements	*11*	**31,262**	56,551
LNG finance lease receivables	*12*	**25,082**	60,088
Statutory deposits		**250**	250
Deferred tax asset		–	10
		406,655	273,929
Current assets			
Inventories		**34,615**	2,626
Receivables under LNG finance lease arrangements	*11*	**53,046**	48,307
LNG finance lease receivables	*12*	**68,288**	83,953
Loan receivables	*13*	**168,774**	209,808
Accounts and other receivables	*14*	**429,498**	163,224
Financial assets at fair value through profit or loss		**18,911**	183,024
Bank balances and cash		**408,373**	662,491
		1,181,505	1,353,433
Current liabilities			
Accounts and other payables	*15*	**338,555**	232,518
Income tax payable		**5,191**	12,178
		343,746	244,696
Net current assets		**837,759**	1,108,737
Total assets less current liabilities		**1,244,414**	1,382,666
Non-current liability			
Deferred tax liability		–	388
Net assets		**1,244,414**	1,382,278
Capital and reserves			
Share capital		**112,322**	112,774
Reserves		**649,816**	741,267
		762,138	854,041
Non-controlling interests		**482,276**	528,237
Total equity		**1,244,414**	1,382,278

NOTES

1. GENERAL INFORMATION

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

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

The Company is an investment holding company and the principal activities of the Group are development of liquefied natural gas ("LNG") businesses in China, including (i) in the People's Republic of China (the "PRC"), point-to-point supply and wholesale of LNG, provision of LNG logistic services, sales of LNG vehicles, provision of finance leasing services for LNG vehicles, vessels and equipment as approved by 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 Group's properties investment business was regarded as a discontinued operation in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

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

(b) Initial application of HKFRSs

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs (2014-2016)	Amendments to HKFRS 12

The application of the amendments to HKAS 12 and Annual Improvements to HKFRSs (2014-2016) has no material impact on the preparation of the Group's consolidated financial statements.

Amendments to HKAS 7 require the Group to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(c) Change in accounting estimates of the useful lives of LNG equipment and LNG vehicles

Starting from 1 January 2017, the useful lives of LNG equipment and LNG vehicles of the Group have been changed from 10 years to 20 years and from 5 years to 10 years respectively. This change reflects the physical conditions of the LNG equipment and LNG vehicles and provides more reliable and relevant information of the Group. The change has been applied prospectively from 1 January 2017.

With effect from 1 January 2017, the LNG equipment and LNG vehicles are depreciated at 5% and 10% per annum respectively. The change in depreciation rates has decreased the depreciation charge for the current year by approximately HK$2,577,000.

3. REVENUE FROM CONTINUING OPERATIONS

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 and income from financial services through provision of money lending business in Hong Kong, and is analysed as follows:–

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Sales and distribution of LNG	**922,278**	14,365
Sales of LNG vehicles	**4,101**	–
Provision of LNG logistic services	**3,031**	–
Interest income from LNG finance lease arrangements	**7,587**	5,803
LNG finance leases interest income	**7,263**	8,509
Service fee income from leasing of LNG vehicles	**680**	1,480
Dividend income from financial assets at fair value through profit or loss	**462**	30
Gain on bargain purchase of financial assets at fair value through profit or loss	**–**	275,625
(Loss)/gain on disposal of financial assets at fair value through profit or loss	**(36,963)**	1,782
Loss on disposal of derivative financial instrument	**(41,057)**	–
Loss on fair value changes of financial assets at fair value through profit or loss	**–**	(129,456)
Interest income from loan financing	**23,163**	19,494
Interest income from securities margin financing	**4,396**	–
Services fee income	**691**	102
Brokerage income	**1,320**	1,837
	896,952	199,571

4. SEGMENTS AND ENTITY – WIDE INFORMATION

Reportable segments

The Group determines its operating segments based on the Directors' decisions. For management purposes, the Group currently is organised into eight continuing operating divisions, which are the basis on which the Group reports its segment information.

The Group's principal activities are as follows:

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

(2) Provision of LNG logistic services;

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

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

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

(6) Trading of securities

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

(8) Financial services through provision of money lending business

The Group's properties investment business were regarded as a discontinued operation, the details of which are set out in note 8.

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

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

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

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

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

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

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

	Sales and distribution of LNG		Provision of LNG logistic services		Financial provision through finance leasing services for LNG vehicles, vessels and equipment		Provision of LNG in the midstream and downstream market		Provision of commercial vehicle platform services		Trading of securities		Provision of securities brokerage, margin financing and securities investments		Financial services through provision of money lending business		Consolidated for continuing operations	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE																		
External	**922,278**	14,365	**3,031**	–	**15,530**	15,792	**505**	-	**4,101**	–	**(77,558)**	145,794	**5,902**	4,066	**23,163**	19,554	**896,952**	199,571
RESULT																		
Segment result	**(9,001)**	(2,344)	**(8,723)**	–	**(3,752)**	(17,577)	**(8,077)**	(14,097)	**(4,195)**	148	**(87,984)**	138,661	**(2,629)**	399	**23,089**	18,802	**(101,272)**	123,992
Other income and gains																	**2,332**	2,181
Finance costs																	**(284)**	–
Share of results of associates																	**(1,581)**	32,968
Unallocated corporate expenses																	**(34,870)**	(5,507)
(Loss)/profit before taxation																	**(135,675)**	153,634
Taxation																	**(16,935)**	(2,199)
(Loss)/profit for the year																	**(152,610)**	151,435
Other information																		
Allocated capital additions	**132,288**	22,394	**81,731**	–	**1,086**	2,345	**11,532**	31,747	**266**	147	**19**	1,404	**543**	31	**–**	–	**227,465**	58,068
Allocated depreciation	**5,323**	326	**2,980**	–	**1,708**	1,407	**604**	275	**220**	148	**2,795**	1,697	**1,212**	800	**–**	–	**14,842**	4,653
Allocated (gain)/loss on disposal of plant and equipment	**(248)**	–	**–**	–	**24**	–	**–**	–	**–**	–	**–**	445	**–**	–	**–**	–	**(224)**	445

	Sales and distribution of LNG		Provision of LNG logistic services		Financial provision through finance leasing services for LNG vehicles, vessels and equipment		Provision of LNG in the midstream and downstream market		Provision of commercial vehicle platform services		Trading of securities		Provision of securities brokerage, margin financing and securities investments		Financial services through provision of money lending business		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets																		
Segment assets	**441,139**	50,988	**116,946**	–	**188,774**	261,929	**91,720**	126,019	**58,235**	508	**7,990**	194,003	**46,059**	54,285	**168,774**	209,807	**1,119,637**	897,539
Unallocated corporate assets																	**468,523**	663,698
																	1,588,160	1,561,237
Assets relating to discontinued operation																	**–**	66,125
Consolidated total assets																	**1,588,160**	1,627,362
Liabilities																		
Segment liabilities	**168,392**	11,313	**7,743**	–	**22,359**	24,610	**58,749**	2,083	**2,825**	35	**1,811**	570	**45,967**	153,641	**44**	43	**307,890**	192,295
Unallocated corporate liabilities																	**35,856**	52,549
																	343,746	244,844
Liabilities relating to discontinued operation																	**–**	240
Consolidated total liabilities																	**343,746**	245,084

Entity-wide information

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

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Revenue by geographical location of its external customers:–		
Hong Kong	**(48,493)**	169,414
PRC	**945,445**	30,157
	896,952	199,571

	2017	2016
	HK$'000	*HK$'000*
Continuing and discontinued operations		
Carrying amount of non-current assets analysed by geographical area in which the assets are located of:–		
Hong Kong	**8,338**	77,868
PRC	**398,317**	196,051
	406,655	273,919

5. (LOSS)/PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
(Loss)/profit before taxation has been arrived at after charging/(crediting):–		
Auditor's remuneration	**929**	682
Amortisation of other intangible assets	**259**	–
Depreciation of plant and equipment	**14,842**	4,653
(Gain)/loss on disposal of plant and equipment:–		
– Proceeds from disposal of plant and equipment	**(1,047)**	(20)
– Carrying amount of plant and equipment	**823**	465
	(224)	445
Operating lease rentals in respect of rented premises	**11,518**	7,140
Staff costs:–		
Directors' remuneration		
– fees	**270**	276
– other emoluments	**1,440**	1,440
	1,710	1,716
Staff costs excluding directors' remuneration	**57,029**	33,108
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration	**12,860**	6,572
	69,889	39,680
Total staff costs	**71,599**	41,396

6. TAXATION FROM CONTINUING OPERATIONS

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

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Current tax – Hong Kong profits tax:		
Provision for the year	**12,993**	2,208
Under/(over)-provision in previous year	**46**	(100)
Current tax – PRC enterprise income tax ("EIT"):		
Provision for the year	**3,896**	91
	16,935	2,199

Provisions for Hong Kong Profits Tax and EIT are calculated at 16.5% (2016: 16.5%) and 25% (2016: 25%) respectively on the estimated assessable profits for the year.

7. DIVIDENDS

(a) No dividend was paid or proposed during the year ended 31 December 2017 (2016: nil).

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

	2017	2016
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid or payable during the year, of HK$nil per share (2016: HK$1 cent per share, adjusted for the effect of the Share Consolidation on 11 August 2017)	**–**	56,385

8. DISCONTINUED OPERATION

On 1 June 2017 and 5 June 2017, the Group and Dr. Kan Che Kin, Billy Albert ("Dr. Kan"), an executive Director and the chairman of the Company, entered into provisional agreements and a supplemental agreement respectively, pursuant to which Dr. Kan agreed to acquire, and the Group agreed to sell the entire equity interests of two wholly-owned subsidiaries, ACE Vantage Investments Limited ("ACE") and Smart Look Limited ("SLL") at a total consideration of HK$67,200,000 (the "ACE and SLL Disposal"). Completion of the ACE and SLL Disposal took place on 7 August 2017 and the consideration 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 properties investment. Accordingly, the business segment of properties investment was regarded as a discontinued operation.

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

	2017	2016
	HK$'000	*HK$'000*
Revenue	**720**	1,140
Valuation gains on investment properties	**–**	700
Administrative expenses	**(177)**	(333)
Profit before taxation from discontinued operation	**543**	1,507
Taxation	**–**	(133)
Profit for the year from discontinued operation attributable to equity shareholders of the Company	**543**	1,374
Profit for the year from discontinued operation includes the following:		
Rental income	**720**	1,140
Depreciation	**62**	124

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

	2017	2016
	HK$'000	*HK$'000*
Cash flows from discontinued operation		
Net cash generated from operating activities	**502**	1,031
Net cash generated from/(used in) financing activities	**117**	(2,103)
Net cash inflow/(outflow)	**619**	(1,072)

9. (LOSS)/EARNINGS PER SHARE

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

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

	2017	2016
	HK$'000	*HK$'000*
(Loss)/profit for the year attributable to equity shareholders of the Company		
From continuing operations	**(124,272)**	90,649
From discontinued operation	**543**	1,374
	(123,729)	92,023

	2017	2016
		(Restated)
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of calculation of both basic and diluted (loss)/earnings per Share	**5,638,707,091**	5,638,504,910
Shares issued in lieu of dividends	**–**	95,566
Shares repurchased and cancelled in 2017	**(2,066,762)**	–
Adjusted weighted average number of ordinary shares in issue for the purpose of calculation of both basic and diluted (loss)/earnings per Share	**5,636,640,329**	5,638,600,476

Diluted (loss)/earnings per Share was the same as the basic (loss)/earnings per Share for both continuing and discontinued operations as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2017 and 2016.

10. INVESTMENT PROPERTIES

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**66,000**	65,300
Disposal of subsidiaries	**(66,000)**	–
Fair value adjustment	**–**	700
At 31 December, at fair value	**–**	66,000

11. 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:–

	2017	2016
	HK$'000	*HK$'000*
Within one year	**53,046**	48,307
In the second to fifth years, inclusive	**31,262**	56,551
	84,308	104,858

The Group entered into finance lease arrangements pursuant to which the lessees sold their vehicles and vessels to the Group and leased back the assets with lease period ranging from 1.5 year to 5 years (2016: 1 year to 5 years) from the date of inception. The ownership of leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and interest accrued under the finance lease arrangements. The lessees retain control of the assets before and after entering into the arrangements. These finance lease arrangements do not constitute leases for accounting purposes.

At 31 December 2017, the effective interest rates applicable to the finance lease arrangements ranged from approximately 7.74% to 13.78% per annum (2016: 7.64% to 13.78%).

The receivables are secured by the leased vehicles and vessels. The Group has obtained guarantees provided by the controlling shareholders of the lessees and other independent third parties for certain finance lease arrangements. The Group has also obtained security deposits for certain finance lease arrangements and these security deposits were interest-free. The lessees are obliged to settle the amounts according to the terms set out in the relevant agreements.

12. LNG FINANCE LEASE RECEIVABLES

	Minimum lease payments 2017 *HK$'000*	Minimum lease payments 2016 *HK$'000*	**Present value of minimum lease payments 2017** *HK$'000*	Present value of minimum lease payments 2016 *HK$'000*
Within one year	**79,522**	94,066	**68,288**	83,953
In the second to fifth years, inclusive	**29,229**	69,082	**25,082**	60,088
	108,751	163,148	**93,370**	144,041
Less: Unearned finance income	**(15,381)**	(19,107)		
Present value of minimum lease payment receivables	**93,370**	144,041		
Less: Amount receivable within 12 months (shown under current assets)			**(68,288)**	(83,953)
Amount receivable after 12 months			**25,082**	60,088

The Group entered into finance lease contracts pursuant to which the Group purchased new vehicles or equipment from third party manufacturers or distributors of its choice or of the lessees' choice and leased the assets to the lessees with lease period ranging from 2 years to 4.5 years (2016: 2 years to 4.5 years) from the date of inception. The ownership of the leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and interest accrued under the finance lease contracts. The lessees obtain control of the assets after entering into the contracts.

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

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.

13. LOAN RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Loan receivables	**168,774**	209,808

The Group seeks to maintain strict control over its outstanding loan receivables so as to minimise credit risk. The granting of loans is subject to approval by the management, whilst overdue balances are reviewed regularly by the management. Loan receivables are charged on effective interest rate mutually agreed with the contracting parties, at a fixed rate of 12% to 15% per annum (2016: 8% to 15%).

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

14. ACCOUNTS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Accounts receivables arising from dealing in securities *(note 14(a))*:–		
Cash clients	**554**	2,849
Margin clients	**43,195**	49,088
Hong Kong Securities Clearing Company Limited	**447**	–
Accounts receivables arising from LNG businesses *(note 14(b))*	**72,514**	2,094
Total accounts receivables	**116,710**	54,031
Prepayments, deposits and other receivables	**208,733**	21,351
Loans to third parties *(note 14(c))*	**1,983**	9,149
Amounts due from non-controlling shareholders of subsidiaries *(note 14(d))*	**73,543**	69,510
Value-added tax recoverable	**28,529**	9,183
Total accounts and other receivables	**429,498**	163,224

Notes:

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

At 31 December 2017, the accounts receivables from margin clients were repayable on demand, interest-bearing at 9.25% (2016: 9.25%) per annum and secured by clients' securities that are listed on the Stock Exchange with a total market value of approximately HK$52,342,000 (2016: HK$103,119,000).

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

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

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**61,839**	1,846
4 to 6 months	**10,675**	248
	72,514	2,094

(c) At 31 December 2017, the loan was unsecured, interest-bearing at 8% per annum and repayable on demand. At 31 December 2016, the loan of HK$6,698,000 was secured by 35% equity interest of the borrower, interest-bearing at 8% per annum and repayable within six months. The loan of HK$2,451,000 was unsecured, interest-bearing at 8% per annum and repayable within one month.

(d) The balances represented capital commitment of HK$10,434,000 (2016: HK$18,614,000) payable by non-controlling shareholders and advances of HK$63,109,000 (2016: HK$50,896,000) to non-controlling shareholders of certain subsidiaries of the Group. The balances were unsecured, interest-free and repayable on demand.

15. ACCOUNTS AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Accounts payables arising from dealing in securities *(note 15(a))*:–		
Cash clients *(note 15(b))*	**41,946**	145,874
Margin clients *(note 15(c))*	**2,702**	4,899
Hong Kong Securities Clearing Company Limited	**–**	1,779
Accounts payables arising from LNG businesses *(note 15(d))*	**68,510**	870
Total accounts payables	**113,158**	153,422
Accrued charges and other payables	**115,860**	19,413
Guaranteed deposits on LNG finance leases and finance leases arrangements	**19,270**	21,668
Loan from a shareholder *(note 15(e))*	**30,284**	–
Amount due to a shareholder *(note 15(f))*	**–**	38,015
Amounts due to non-controlling shareholders of subsidiaries *(note 15(g))*	**59,983**	–
Total accounts and other payables	**338,555**	232,518

Notes:

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

The accounts payable amounting to approximately HK$44,211,000 (2016: HK$150,190,000) were payable to clients in respect of the segregated client bank balances received and held for clients in the course of the conduct of regulated activities. The carrying amounts of the accounts payable arising from the ordinary course of business of dealing in securities are mainly denominated in Hong Kong dollars.

(b) The accounts payables included HK$29,024,000 (2016: HK$25,843,000) which was deposited by Dr. Kan.

(c) The accounts payables included HK$2,133,000 (2016: HK$2,139,000) which was deposited by a related company in which Dr. Kan has controlling interest.

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

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**57,655**	870
4 to 6 months	**10,855**	–
	68,510	870

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

(e) The loan from a shareholder, Dr. Kan, is unsecured, interest-bearing at 5% per annum and repayable on demand.

(f) The amount due to a shareholder, Dr. Kan, was unsecured, interest-free and repayable on demand.

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

COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss and consolidated statement of comprehensive income have been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative year (note 8).

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

2017 was a year the Group sacrificed short term profits for development of long term LNG downstream users (with the majority of contracts between 5 to 10 years), which has strengthened our advantages and distanced ourselves from our rivals (mainly of them have gone into bankruptcy from the latest natural gas shortages in many parts of the PRC).

Since the signing of our full strategic cooperation agreement with CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch, which is engaged in the operation and management of gas and power business of China National Offshore Oil Corporation ("CNOOC"), in January 2018, we enjoy competitive LNG purchase prices amongst all of our competitors in the PRC, and this great improvement in our cost of sales is bringing in excellent profits from our sales to the long term customers which we have built up especially during the later part of 2017.

On the policy side, ten national ministries and commissions including the National Development and Reform Commission jointly announced the "clean winter plan in northern China (2017-2021)" (the "Plan") at the end of 2017. It was again clearly stated that LNG and pipeline gas shall be applied together with comprehensive utilisation of unconventional natural gas and coalbed methane such as pipeline gas, skid-mounted LNG and compressed natural gas ("CNG") and other gas sources to rectify the gas shortage problem with the principle of "appropriate use of pipelines and tankers". In addition, to tie in with the release of the Plan, the National Energy Administration, in conjunction with relevant provinces, municipalities and enterprises, formulated the "overall guarantee plan for gas source of clean winter with 'coal-to-gas' in northern China". It was the first time for the National Energy Administration to mention the concept of point-to-point supply in its official document and it also emphasised that wherever the gas source is available, the government will strive to achieve replacing coal burning to using natural gas in "2+26" key cities in the coming 5 years.

At present, the Group gets a foothold in the market by point-to-point supplying LNG to industrial users of "coal-to-gas" boilers and outlines its strategic landscape in the "2+26" urban areas where air and water pollution is more serious in the PRC, including Tianjin, Hebei, Shandong, Anhui, Jiangsu, Henan, Zhejiang, Hubei and the Pearl River Delta region. Point-to-point supply enables the Group to lay out its strategic landscape in shorter period, to further enlarge the market share, the Group will continue to develop projects with the use of LNG, so as to occupy a major driver position in certain regions or businesses, become a local leader in the relevant industries and strive for the price setting power, and create several regional energy supply centers.

Since November 2017, the supply shortage has spread to more than 20 provinces in the PRC with an extended period and a wide area was affected, which fully reflected the inadequacies of various sectors of the natural gas industry in the PRC. The underlying reasons are increasing demand on "coal-to-gas" in northern China and the supply shortage as a result of the decline in imported gas from central Asia. It also indicates the insufficiency of the natural gas infrastructure in the PRC, which in other words, means the supply of natural gas pipelines and underground gas storage tanks is lagging far behind. The Group will build several regional LNG storage centres with ancillary facilities depending on the local needs of LNG. Besides, it will apply for licenses and approvals from local governments with the purpose of "regulating local pipe network during peak consumption".

Furthermore, compared to household use, chemical, power generation and industrial fuels, promotion of LNG utilisation in the transportation sector has been largely neglected. Making widespread use of LNG as a more viable transportation fuel will surely benefit to safe energy utilisation and emission reduction. At current stage, motor vehicles are the major source of causing haze and photochemical smog pollution. There are about 6 million heavy trucks using diesel fuel in the PRC and each causes pollution equivalent to 100 small passenger cars according to Beijing emission standards. As a vehicle-used fuel, LNG features with high energy density for longer driving distance and is more environmental-friendly, which is a desirable alternative to fossil fuels. It is noted that for every 100 kilometers of driving distance, heavy trucks using LNG as fuel can save a fuel cost of around RMB100 as compared to diesel trucks of the same tonnage, which offers huge economic benefits to users.

In addition, as the international marine fuel emission standards will become increasingly stringent after 2020, the international shipping industry is actively seeking for emission reduction measures. Hence, replacing diesel or fuel oil with LNG will be a long term trend. There are more than 300,000 vessels having urgent needs for transforming into LNG engine vessels which can contribute to low-carbon environment protection and better economic benefits. Yet, the imperfect network of domestic LNG refueling stations and aquatic refueling station as well as difficulty in site selection are critical challenges for the industry. With gradual development of our business, our initial strategy of promoting the "oil-to-gas" policy in vehicles and vessel equipment under our finance leasing service is geared to expand rapidly. To this end, a natural gas comprehensive project in Huanggang City of Hubei Province developed by the Group with a total investment amount of RMB3.35 billion will provide finance leasing to 8,000 sand trucks, together with the construction of 10 LNG and CNG stations and re-building of 30 oil refueling stations to supply LNG sales.

As for logistics distribution, the Group's purchase of LNG trucks from Chart Cryogenic Engineering Systems (Changzhou) Co., Ltd ("Chart") is only the beginning. The Group and Chart have entered into an agreement of intent for investment and cooperation, pursuant to which the Group and Chart agreed to jointly invest in and establish a joint venture for cooperating on the business of manufacturing and sales of LNG tank containers. The benefits derived from the flexibility and cost savings of LNG tank containers are beyond the reach of pipeline gas and traditional LNG trading.

BUSINESS REVIEW

Liquefied natural gas (LNG)

As at 31 December 2017, the Group continued to strive for promoting the use of LNG. For the development of LNG retail, trading and transportation business in China, the most important resources are the building of a unique and exclusive end-user network and the possession of transportation capability combining logistics and trading. The Group provides comprehensive LNG management and supply services, covering every area of LNG operating businesses. The guaranteed upstream supply of LNG was supported by LNG receiving terminals and a number of LNG plants, which enhanced the Group's attained leading positions in the middle-stream market supporting by the logistics fleet comprising its LNG trucks, LNG refuelling stations, LNG storage stations, LNG Dewar bottle filling stations and other LNG projects. Our downstream businesses mainly involved point-to-point supply of LNG to end-users in "coal-to-gas" industrial regions and wholesales markets. The Group strived to become a core enterprise in China's LNG market.

During 2017, the Group recorded a loss in its LNG businesses, due to:

1. The widespread "gas shortage" across the PRC which resulted in a significant increase in cost:

   In 2017, a crucial year for the intensive promotion of "coal-to-gas" in Northern China, numerous small-scale coal-fired boilers and scattered coal consumption for heating by residents were required to be replaced by natural gas; five major power plants in Beijing also completed the use of natural gas as a substitute; all these generated a sudden high demand for natural gas in the winter 2017. Yet, the Central Asian countries, one of the major sources for pipeline gas in the PRC, had significantly cut down the export volume to the PRC due to the rise in their own demands. Extensive "gas shortage" thus arose in the PRC from the increase in demand and reduction in supply. On 28 July 2017, Hebei Province activated a second-level alert for natural gas supply; on 7 December 2017, gas supplies to nearly 300 factories and other commercial users in Wuhan have been cut off; on 8 December 2017, Beijing restarted one of the China Huaneng coal burning power plants; on 12 December 2017, Hunan issued a yellow natural gas alert. The "gas shortage" has spread widely across the PRC that caused rare and tremendous impacts. In view of the temporary shortage of domestic natural gas supply due to the upsurge of demand, the use of LNG had become a major measure to ease the tight supply of natural gas in the PRC. As a result, the market price of LNG in the PRC had soared by multiple times to record highs throughout the winter of 2017. Prices of LNG in certain regions hit historical peak and reached over RMB10,000/ton, resulting an unexpected surge in the cost to the Group.

2. Appropriate transfer of costs, brand reputation establishment and fostering of customer loyalty:

   The end-users market of LNG in the PRC, which is at an early stage of its development, has aroused the awareness of many industrial operations who in turn shift to use LNG as their major source of natural gas supply. In the winter of 2017, with rising price of LNG, customers' confidence in using LNG as substitute was shaken and some users attempted to seek other clean energy to substitute for coal fuel. Facing this situation, our Group insists on maintaining customers' confidence on the use of LNG and greatly restore the reputation and long-term development of the LNG industry. Despite the large increase in procurement cost, the Group only charged the users reasonable rate with small increments which enabled the Group to maintain our market share in the LNG industry, building an immensely good image through being socially responsible to the industry and our users, laying a sound foundation for our further market development in future.

Sales and distribution of LNG

Point-to-point supply of LNG

As at 31 December 2017, the Group completed 309 industrial point-to-point supply projects, all of which were put into operation. There are more than 380 point-to-point supply projects under construction or in final negotiation process. The Group recorded a point-to-point LNG supply volume of 119,274,371 cubic metres and revenue of approximately HK$354.0 million for the year.

Wholesale of LNG

As at 31 December 2017, the Group recorded a LNG wholesale volume of 219,280,600 cubic metres and revenue of approximately HK$568.3 million.

Distribution of LNG

As at 31 December 2017, the Group's fleet possessed 65 LNG refilling trucks for transportation. The Group's transportation revenue from its LNG distribution fleet amounted to approximately HK$3.0 million.

Finance leasing

As at 31 December 2017, the Group's finance lease companies entered into certain finance lease arrangements for providing finance leasing to 284 heavy duty LNG vehicles including tractors and trailers and 90 sets of point-to-point LNG supply equipment, with the aggregate leasing principal of approximately HK$144,476,000.

Since the date of commencement of the finance lease business up to 31 December 2017, the accumulated leasing principal amount was approximately HK$641,687,000, among which approximately HK$362,687,000 had been settled. The existing finance leasing involved 1,527 heavy duty LNG vehicles, 7 LNG vessels and 100 sets of point-to-point LNG supply equipment.

Commercial vehicle platform service

During the year, the Group continued to develop the online refueling services for the LNG vehicles and vessels end-users through the launching of the 'Green Engine' refueling platform. A 'Green Engine' refueling credit card issued jointly with the China Construction Bank, with 36 cooperating LNG refueling stations, 214 joint credit card holders and 95 LNG refueling cards have been issued to test run the system. In 2018, we will continue to promote this platform, and to grow the number of cooperating refuelling stations across the PRC to 200 with 2,000 members.

Trading of securities

The Group conducts its trading of Hong Kong securities business through Key Fit Group Limited ("Key Fit").

On 20 June 2017, Key Fit sold a total of 1,116,000,000 shares of Global Strategy Group Limited (the "Sale Shares"), shares of which listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock code: 8007), at a consideration of HK$145,080,000. The disposal of Sale Shares gave rise to a loss of approximately HK$37.9 million, being the consideration of HK$145,080,000 less the fair value of the Sale Shares amounting to approximately HK$183,024,000 as at 31 December 2016. However, by comparing this investment with the original cost of HK$39,060,000, the sale shares actually recorded a significant overall gain.

Securities brokerage

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

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

Financial services

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

During the year ended 31 December 2017, all the loans granted under the money lending business of the Group were secured loans and were funded by internal resources.

As at 31 December 2017, loan receivables derived from the money lending business was approximately HK$168.8 million.

Property investment

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

FINANCIAL REVIEW

Revenue

Revenue increased by approximately 349.4% or HK$697.4 million from approximately HK$199.6 million for the year ended 31 December 2016 to HK$897.0 million for the year ended 31 December 2017.

Revenue derived from sales and distribution of LNG including point-to-point supply of LNG and wholesale of LNG increased by approximately 63 times from approximately HK$14.4 million for the year ended 31 December 2016 to approximately HK$922.3 million for the year ended 31 December 2017.

Revenue derived from provision of finance leasing services for LNG vehicles, vessels and equipment decreased by approximately 1.7% from approximately HK$15.8 million for the year ended 31 December 2016 to approximately HK$15.5 million for the year ended 31 December 2017.

Revenue derived from sales of LNG vehicles and provision of LNG logistic services were HK$4.1 million and HK$3.0 million, respectively during the year ended 31 December 2017. No such revenue was recognised in 2016 because the Group has only commenced the businesses in 2017.

Revenue derived from trading of securities were turnaround from a gain of approximately HK$145.8 million for the year ended 31 December 2016 to a loss of approximately HK$77.6 million for the year ended 31 December 2017. The turnaround was attributed to the net effect of a loss on disposal of financial assets at fair value through profit or loss of approximately HK$37.0 million, a loss on disposal of derivative financial instrument of approximately HK$41.1 million and dividend income from financial assets at fair value through profit or loss of approximately HK$0.5 million.

Revenue derived from provision of securities brokerage, margin financing and securities investments business increased by approximately 45.2% from approximately HK$4.1 million for the year ended 31 December 2016 to approximately HK$5.9 million for the year ended 31 December 2017.

Revenue derived from investment properties, a discontinued operation, decreased by approximately 36.8% from approximately HK$1.1 million for the year ended 31 December 2016 to approximately HK$0.7 million for the year ended 31 December 2017 due to the Group disposed of the entire equity interests of the two wholly-owned subsidiaries, ACE and SLL, which are in essence holding the investment properties.

Revenue derived from the financial services through provision of money lending business increased by approximately 18.5% from approximately HK$19.6 million for the year ended 31 December 2016 to approximately HK$23.2 million for the year ended 31 December 2017.

Cost of sales

The Group has recognised cost of sales of approximately HK$899.3 million in respect of the sales and distribution of LNG business including point-to-point supply of LNG, wholesale of LNG, LNG logistic services, sales of LNG vehicles and provision of LNG in the midstream and downstream market for the year ended 31 December 2017.

Other income and gains

Other income decreased by 49.9% from HK$12.9 million for the year ended 31 December 2016 to HK$6.4 million for the year ended 31 December 2017. It was mainly due to an exchange gain of approximately HK$5.0 million for the year ended 31 December 2016 but an exchange loss for the year ended 31 December 2017.

Share of results of associates

Share of results of associates decreased by approximately 104.8% from a gain of approximately HK$33.0 million for the year ended 31 December 2016 to a loss of approximately HK$1.6 million for the year ended 31 December 2017 as Key Fit ceased to be an associate of the Group and has become a non-wholly-owned subsidiary of the Company since 16 May 2016.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 27.7% from approximately HK$20.4 million for the year ended 31 December 2016 to approximately HK$26.1 million for the year ended 31 December 2017 due to the increase in office rental expenses and entertainment expenses for sales staff from the continuing expansion of the LNG businesses in the PRC for the year ended 31 December 2017.

Administrative expenses

Administrative expenses increased by approximately 95.1% from approximately HK$57.3 million for the year ended 31 December 2016 to HK$111.8 million for the year ended 31 December 2017 from the significant increase in salaries and employee benefit expenses, office rental expenses and travelling expenses for administrative and managerial staff due to the continuing expansion of the LNG businesses in the PRC for the year ended 31 December 2017.

Income tax expense

Income tax expense increased by approximately 670.1% from approximately HK$2.2 million for the year ended 31 December 2016 to HK$16.9 million for the year ended 31 December 2017. The increase was mainly attributed to the increase in taxable income from the disposal of 1,116,000,000 shares of Global Strategy Group Limited (Stock code:8007) on 20 June 2017, which gave rise to an overall realised gain on bargain purchase of financial asset at fair value through profit of loss.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

The Group had total cash and bank balances of approximately HK$408.4 million as at 31 December 2017 (31 December 2016: approximately HK$662.5 million). There was no bank borrowing as at 31 December 2017 and 2016. Therefore, no gearing ratio of the Group as at 31 December 2017 and 2016 was calculated. Net assets were approximately HK$1,244.4 million as at 31 December 2017 (31 December 2016: approximately HK$1,382.3 million). The Group recorded total current asset value of approximately HK$1,181.5 million as at 31 December 2017 (31 December 2016: approximately HK$1,353.4 million) and total current liability value of approximately HK$343.7 million as at 31 December 2017 (31 December 2016: approximately HK$244.7 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was 3.4 as at 31 December 2017 (31 December 2016: 5.5). The current ratio continues to maintain at a healthy condition.

Currently, the Group's operating and capital expenditures are financed by cash generated from operation, internal liquidity and fund advanced from the controlling shareholder. The Group shall plan to expand the shareholders funds and go for outside banks and instituted fundings so as to meet its future capital expenditure and working capital requirements.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

RISK MANAGEMENT

Our principal financial instruments include financial assets at fair value through profits 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 businesses, trading of securities business, securities brokerage, margin financing and securities investment business and money lending business. We also have various financial assets and financial liabilities arising from our business operations. The principal risks arising from our financial instruments are foreign currency risk, credit risk and liquidity risk. We intend to achieve an appropriate balance between these risks and the investment returns so as to minimise the potential adverse impact on our business and financial condition.

Foreign currency

Transactions of the Group were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the year. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the years ended 31 December 2017 and 2016, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

Credit risk

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

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

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

As to impairment and allowance policies, we assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. No impairment allowance was made for our finance lease receivables, loan receivables, accounts and other receivables and financial assets of our Group as at 31 December 2017.

Liquidity risk

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

TREASURY POLICIES

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 23 November 2015, CLNG Investment (Shanghai) Co., Limited* (港能投資(上海)有限公司) ("CLNG Investment"), a wholly-owned subsidiary of the Company and Fengyang Zhonghao New Energy Investment Co., Limited* (鳳陽中昊新能源投資有限公司) ("Fengyang Zhonghao") entered into the share transfer agreement, pursuant to which CLNG Investment has conditionally agreed to purchase and Fengyang Zhonghao has conditionally agreed to sell 40% equity interests in CNOOC (Bengbu) Traffic New Energy Co., Limited* (中海油蚌埠交通新能源有限公司) ("CNOOC Bengbu"), which is principally engaged in the sales and distribution of LNG diesel and oil products, at a consideration of RMB3,600,000. Completion of the share transfer took place on 25 January 2017, CLNG Investment holds 40% of the issued registered capital of CNOOC Bengbu and CNOOC Bengbu has become an associate of the Company.

On 23 November 2015, CLNG Investment, a wholly-owned subsidiary of the Company and Shanghai Heyin Energy Investment Co., Limited* (上海合銀能源投資有限公司) ("Heyin") entered into the share transfer agreement, pursuant to which CLNG Investment has conditionally agreed to purchase and Heyin has conditionally agreed to sell 40% equity interests in CNOOC (Shanghai) Traffic New Energy Co., Limited ("CNOOC Shanghai Traffic"), which is principally engaged in the sales and distribution of LNG diesel and oil products, at a consideration of RMB3,600,000. Completion of the share transfer took place on 17 July 2017, CLNG Investment holds 40% of the issued registered capital of CNOOC Shanghai Traffic and CNOOC Shanghai Traffic has become an associate of the Company.

On 9 December 2016, CLNG Shenzhen Energy Co., Ltd.* (港能(深圳)能源有限公司) ("CLNG Shenzhen"), a wholly-owned subsidiary of the Company, Shenzhen Shengshi Energy Co., Ltd.* (深圳市晟世能源有限公司) ("Shengshi Energy") and Shenzhen Gas Clean Energy Co., Ltd.* (深圳市深燃清潔能源有限公司) ("Gas Clean Energy") entered into a capital injection and share transfer agreement, pursuant to which CLNG Shenzhen agreed to inject an amount equivalent to 22.5% enlarged equity interests of Shenzhen Gas Shengshi Clean Energy Co., Ltd.*(深圳市深燃晟世清潔能源有限公司) ("Shenzhen Gas Shengshi"), and CLNG Shenzhen agreed to purchase and Gas Clean Energy agreed to sell 2.5% enlarged equity interests in Shenzhen Gas Shengshi. The total consideration is RMB5,000,000. Shenzhen Gas Shengshi is principally engaged in investment in gasoline stations and LNG stations in the PRC. Completion of the capital injection and share transfer took place on 24 June 2017, CLNG Shenzhen holds 25% of the enlarged issued registered capital of Shenzhen Gas Shengshi and Shenzhen Gas Shengshi has become an associate of the Company.

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

On 26 June 2017, CLNG Shandong, a wholly-owned subsidiary of the Company, entered into the transfer agreement with independent third parties, pursuant to which CLNG Shandong has conditionally agreed to purchase 51% equity interests in Qingdao Aobo Shunta Gas Co., Ltd.*(青島奧博順拓氣體有限公司) ("Qingdao Aobo"), which is principally engaged in wholesale on the LNG and held a road transportation operation permit of dangerous goods in the PRC, at a consideration of HK$3,631,000. Completion of the share transfer took place on 11 July 2017, CLNG Shandong holds 51% of the issued registered capital of Qingdao Aobo and Qingdao Aobo has become a subsidiary of the Company.

Save as disclosed above, the Group had no material acquisition and disposal of subsidiaries or associated companies during the year ended 31 December 2017.

CAPITAL COMMITMENTS

As of 31 December 2017, the total capital commitments by the Group amounted to approximately HK$4.2 billion (31 December 2016: HK$ 3.5 billion) which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and machinery, capital contribution to subsidiaries, and acquisition of subsidiaries.

SEGMENTAL INFORMATION

Details of segmental information for the year ended 31 December 2017 are set out in note 4 to this announcement.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2017 and 2016.

STAFF AND REMUNERATION POLICIES

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

As at 31 December 2017, the Group had 682 employees (31 December 2016: 222 employees), of whom 215 were administrative staff and operating staff; 189 were LNG truck driver; 120 were technical staff; 85 were managerial staff and the remaining 73 were marketing staff. The Group's total staff costs amounted to approximately HK$71.6 million (31 December 2016: HK$41.4 million) for the year ended 31 December 2017. 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

During the year ended 31 December 2017, the Company repurchased a total of 22,584,000 ordinary shares of HK$0.02 each of the Company on the Stock Exchange. All of the shares repurchased were subsequently cancelled. The number of issued shares of the Company as of 31 December 2017 was 5,616,123,090. Particulars of the shares repurchased are as follows:

Month of repurchase	Number of ordinary shares repurchased	Highest price per share	Lowest price per share	Aggregate consideration paid (before expense)
		HK$	*HK$*	*HK$*
October 2017	13,834,000	1.20	1.20	16,600,800
November 2017	158,000	1.20	1.20	189,600
December 2017	8,592,000	1.24	1.20	10,411,780
	22,584,000			27,202,180

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

OTHER MATTERS

Change of Auditor

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

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "Audit Committee") include the review and supervision of the Group's financial reporting process, risk management and internal control. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2017 and was of the opinion that the audited consolidated financial statements of the Group have been properly prepared in accordance with the statutory requirements and applicable accounting standards. The Audit Committee currently comprises three independent non-executive directors (the "INEDs") of the Company, namely Mr. Li Siu Yui, Mr. Au Yeung Po Fung and Mr. Lam Lum Lee.

CORPORATE GOVERNANCE CODE

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

The Company has complied with the code provisions of the Corporate Governance Code during the year ended 31 December 2017 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 year. The Board believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. The Board has full confidence in 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 INEDs and non-executive Directors ("NEDs") are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association (the "Articles of Association") of the Company at least once every three years.

3. Under 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. Li Siu Yui, were unable to attend the general meeting held on 10 August 2017; two of the NEDs, Mr. Murray and Dr. Lam, and one INED, Mr. Au Yeung, were unable to attend the general meeting held on 2 June 2017 as they had other business engagements. However, they subsequently requested the company secretary of the Company to report to them on the views of the Shareholders in the general meetings. As such, the Board considers that the development of a balanced understanding of the views of Shareholders among the NEDs and INEDs was ensured.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry of all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the year ended 31 December 2017.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "Audit Committee") include the review and supervision of the Group's financial reporting process, risk management and internal control. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2017 and was of the opinion that the audited consolidated financial statements of the Group have been properly prepared in accordance with the statutory requirements and applicable accounting standards. The Audit Committee currently comprises three INEDs of the Company, namely Mr. Li Siu Yui, Mr. Au Yeung Po Fung and Mr. Lam Lum Lee.

OUTLOOK FOR THE YEAR 2018

In 2018 the Group remains totally committed to promoting the application of clean energy and natural gas in the PRC. After more than four years of development, our Group has made considerable progress, gradually in achieving a comprehensive business layout.

In the upstream gas supply, we have now a signed full strategic cooperation agreement with CNOOC, we are preparing to build a coal-bed methane liquefaction plant and also preparing to build a shale gas liquefaction plant to liquefy the shale output and underwrite the sale of its LNG from the largest shale gas mine in the PRC.

In the field of LNG logistics, our Group has established the North China logistic & trade base, the East China logistic & trade base, the Northwest China logistic & trade base, and we are building a large-scale LNG reserve storage in Gaoyi Shijiazhuang (高邑石家莊) of the Hebei Province. We also plan to build up the South China logistic & trade base and the Southwest logistic & trade base. Constantly, we are actively promoting the transformation of LNG transportation, focusing on the construction of a diversified LNG transport system with LNG tanks as the main instrument. In this development, through our JV partner Chart the leading manufacturer of LNG containers in the world, the Group will accelerate and increase the production volume of LNG tanks for our own use.

In the natural gas downstream market, with our strong supply capacity, high service quality, good user reputation and obvious resource advantages, the Group is now a well-known regional industrial gas utilization package solution provider. In 2018 we will endeavor to retain this leading position in the industrial LNG market and expand our presence to the even more lucrative city use LNG market.

In 2018 we expect our sales to increase at least by 400% to exceed 1 million tons of LNG or over HK$5 billion with attractive underlying profits for our Group.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the website of the Company (http://chinalng.todayir.com) and the website of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2017 will be dispatched to shareholders of the Company and available on the above websites in due course.

By order of the Board
China LNG Group Limited
Kan Che Kin, Billy Albert
Chairman

Hong Kong, 29 March 2018

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

* *For identification purposes only*