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 PERIOD ENDED 31 MARCH 2019

The board (the "**Board**") of directors (the "**Directors**") of China LNG Group Limited (the "**Company**") announces the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the period from 1 January 2018 to 31 March 2019, 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

Period from 1 January 2018 to 31 March 2019

	Notes	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
CONTINUING OPERATIONS			
REVENUE	*3*	**2,670,934**	896,952
Cost of sales		**(2,649,081)**	(899,294)
Gross profit/(loss)		**21,853**	(2,342)
Other income and gains		**8,425**	6,448
Selling and distribution expenses		**(38,511)**	(26,089)
Administrative expenses		**(190,162)**	(111,827)
Impairment of receivables under LNG finance lease arrangements		**(7,824)**	–
Reversal of impairment of LNG finance lease receivables		**2,401**	–
Impairment of loan receivables		**(1,016)**	–
Impairment of accounts receivables arising from dealing in securities		**(4,779)**	–
Impairment of accounts receivables arising from LNG business		**(5,055)**	–
Impairment of interests in associates		**(5,070)**	–
Finance costs		**(28,345)**	(284)
Share of profits less losses of:			
Joint ventures		**29**	–
Associates		**306**	(1,581)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	*4*	**(247,748)**	(135,675)
Income tax expense	*5*	**(6,885)**	(16,935)
LOSS FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS		**(254,633)**	(152,610)

	Notes	Period from 1 January 2018 to 31 March 2019 HK$'000	Year ended 31 December 2017 HK$'000
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation		**–**	543
LOSS FOR THE YEAR/PERIOD		**(254,633)**	(152,067)
Attributable to:			
Owners of the parent		**(254,328)**	(123,729)
Non-controlling interests		**(305)**	(28,338)
		(254,633)	(152,067)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		
Basic			
– For loss for the year/period		**(HK4.51 cents)**	(HK2.20 cents)
– For loss from continuing operations		**(HK4.51 cents)**	(HK2.21 cents)
Diluted			
– For loss for the year/period		**(HK4.51 cents)**	(HK2.20 cents)
– For loss from continuing operations		**(HK4.51 cents)**	(HK2.21cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period from 1 January 2018 to 31 March 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	**31 March 2019** **HK$'000**	31 December 2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**613,703**	261,086
Prepaid land lease payments		**37,721**	–
Goodwill		**930**	9,161
Other intangible assets		**9,086**	2,794
Interests in joint ventures	*8*	**132,019**	–
Interests in associates		**16,161**	13,676
Deposits for acquisition of plant and equipment		**179,337**	63,344
Deposits for acquisition of land use rights		**89,991**	–
Other assets		**305,271**	–
Receivables under LNG finance lease arrangements	*9*	**9,165**	31,262
LNG finance lease receivables	*10*	**–**	25,082
Statutory deposits		**250**	250
Total non-current assets		**1,393,634**	406,655
CURRENT ASSETS			
Inventories		**21,242**	34,615
Receivables under LNG finance lease arrangements	*9*	**8,082**	53,046
LNG finance lease receivables	*10*	**8,447**	68,288
Loan receivables	*11*	**186,804**	168,774
Accounts and other receivables, prepayments and deposits	*12*	**350,177**	429,498
Financial assets at fair value through profit or loss		**–**	18,911
Bank balances held on behalf of clients		**15,247**	44,211
Cash and cash equivalents		**100,388**	364,162
Total current assets		**690,387**	1,181,505
CURRENT LIABILITIES			
Accounts payables	*13*	**77,251**	113,158
Other payables and accruals	*14*	**550,213**	225,397
Interest-bearing bank borrowings	*15*	**50,244**	–
Tax payable		**3,319**	5,191
Total current liabilities		**681,027**	343,746

	Notes	31 March 2019 HK$'000	31 December 2017 HK$'000
NET CURRENT ASSETS		**9,360**	837,759
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,402,994**	1,244,414
NON-CURRENT LIABILITIES			
Obligations under finance lease arrangements	*16*	**4,736**	–
Loans from a shareholder		**493,922**	–
Deferred tax liabilities		**3,907**	–
Total non-current liabilities		**502,565**	–
Net assets		**900,429**	1,244,414
EQUITY			
Equity attributable to owners of the parent			
Share capital		**112,876**	112,322
Reserves		**344,932**	649,816
		457,808	762,138
Non-controlling interests		**442,621**	482,276
Total equity		**900,429**	1,244,414

NOTES

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

In the opinion of the directors, the Group would have sufficient working capital to finance its operation in the next twelve months from the date of the end of the reporting period because Dr. Kan Che Kin, Billy Albert ("Dr. Kan"), an executive director and chairman of the Company, has advanced and instructed to advance loans to the Group of HK$167 million subsequent to 31 March 2019. In addition, Dr. Kan has undertaken to provide adequate financial support to the Group for the next twelve months from the date of this announcement to enable the Group to meet its obligations and liabilities as and when they fall due. As at the date of this announcement, the Group has unutilised credit line of not less than HK$103 million of which could be utilised from time to time should need arise. Moreover, the Group is taking measures to tighten controls over various costs and actively enhance its market position in the LNG industry by expanding its customer base with the aim to attain profitable and positive cash flow operations in the coming financial year.

(b) Changes in accounting policies and disclosures

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

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

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

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

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

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

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

1 L&R: Loans and receivables

2 FVPL: Financial assets at fair value through profit or loss

3 AC: Financial assets at amortised cost

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

Classification and measurement

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

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

Impairment

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

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

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

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

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

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

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

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

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

(iii) Consideration received from customers in advance

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

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

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

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:

	Period from 1 January 2018 to 31 March 2019	Year ended 31 December 2017
	HK$'000	*HK$'000*
Sales and distribution of LNG	**2,581,019**	922,278
Provision of LNG logistic services	**31,646**	3,031
Finance lease income		
– LNG finance lease arrangements	**5,268**	7,587
– LNG finance leases	**5,284**	7,263
Service fee income from leasing of LNG vehicles	**–**	680
Sales of LNG vehicles	**–**	4,101
Trading of securities		
– Dividend income from financial assets at fair value through profit or loss	**–**	462
– Loss on disposal of financial assets at fair value through profit or loss	**–**	(36,963)
– Loss on disposal of derivative financial instrument	**–**	(41,057)
Provision of financial services		
– Interest income from securities margin financing	**6,275**	4,396
– Services fee income	**233**	691
– Brokerage income	**907**	1,320
– Commission income	**8,223**	–
Interest income from loan financing	**32,079**	23,163
	2,670,934	896,952

4. LOSS BEFORE TAX

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

	Period from 1 January 2018 to 31 March 2019	Year ended 31 December 2017
	HK$'000	*HK$'000*
Cost of goods sold*	**2,613,962**	894,695
Cost of services provided*	**35,119**	4,599
Depreciation	**50,598**	14,842
Amortisation of other intangible assets	**377**	259
Amortisation of prepaid land lease payments	**415**	–
Minimum lease payments under operating leases	**17,322**	11,518
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**90,951**	57,029
Pension scheme contributions	**23,820**	12,860
	114,771	69,889
Gain on disposal of items of property, plant and equipment	**(242)**	(224)
Foreign exchange difference, net	**5,839**	2,945
Gain on disposal of a subsidiary	**(3,578)**	(514)
Gain on fair value changes of convertible notes	**(2,259)**	–
Loss on redemption of convertible notes	**2,259**	–

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

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (year ended 31 December 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period/year. Taxes on profits assessable elsewhere have been calculated at the applicable tax rates prevailing in the jurisdictions in which the Group operates.

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

6. DIVIDENDS

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

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

The calculation of the basic loss per share amounts is based on the loss for the year/period attributable to ordinary equity holders of the parent company, and the weighted average number of ordinary shares of 5,637,335,547 (year ended 31 December 2017: 5,636,640,329) in issue during the year/period, as adjusted to reflect the convertible notes converted, and shares repurchased and cancelled during the year/period.

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

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

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

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

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

8. INTERESTS IN JOINT VENTURES

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

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

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

			Percentage of			
Name	**Particulars of issued shares held**	**Place of establishment and business**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activity**
港海能源(上海)有限公司	Registered capital of RMB102,000,000	PRC/Mainland China	51 *(note)*	*(note)*	51	Sales and distribution of LNG

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

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

9. RECEIVABLES UNDER LNG FINANCE LEASE ARRANGEMENTS

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

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

The Group entered into finance lease arrangements pursuant to which the lessees sold their vehicles and vessels to the Group and leased back the assets with lease periods ranging from 1.5 year to 5 years (31 December 2017: 1.5 year to 5 years) from the date of inception. The ownership of leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and interest accrued under the finance lease arrangements. The lessees retain control of the assets before and after entering into the arrangements. These finance lease arrangements do not constitute leases for accounting purposes.

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

	31 March 2019 **HK$'000**	31 December 2017 *HK$'000*
Neither past due nor impaired	**22,027**	79,271
Past due but not impaired:		
Within 3 months	**2,836**	2,056
4 to 6 months	**2,513**	1,460
7 to 9 months	**1,981**	1,225
10 to 12 months	**1,405**	150
Over 1 year	**5,922**	146
	36,684	84,308

Receivables which were neither past due nor impaired related to a number of borrowers for whom there was no recent history of default. For those balances which were past due but not impaired, they related to a number of borrowers for which management has assessed their financial position and performance as well as collateral and considered the balances will be recovered in full and accordingly, no impairment loss is considered necessary.

The receivables are secured by the leased vehicles and 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.

10. LNG FINANCE LEASE RECEIVABLES

	Minimum lease payments 31 March 2019	Minimum lease payments 31 December 2017	**Present value of minimum lease payments 31 March 2019**	Present value of minimum lease payments 31 December 2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**42,527**	79,522	**35,793**	68,288
In the second to fifth years, inclusive	**–**	29,229	**–**	25,082
	42,527	108,751	**35,793**	93,370
Less: Unearned finance income	**(6,734)**	(15,381)		
Present value of minimum lease payment receivables	**35,793**	93,370		
Less: Impairment	**(27,346)**	–		
	8,447	93,370		
Less: Portion classified as current assets			**(8,447)**	(68,288)
Non-current portion			**–**	25,082

The Group entered into finance lease contracts pursuant to which the Group purchased new vehicles or equipment from third party manufacturers or distributors of its choice or of the lessees' choice and leased the assets to the lessees with lease periods ranging from 2 years to 4.5 years (31 December 2017: 2 years to 4.5 years) from the date of inception. The ownership of the leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and interest accrued under the finance lease contracts. The lessees obtain control of the assets after entering into the contracts.

At 31 March 2019, the effective interest rates applicable to the finance lease ranged from approximately 7.69% to 12.82% per annum (31 December 2017: 7.24% to 12.82%). The maturity profile of LNG finance lease receivables at the end of the reporting period, is as follows:

	Period from 1 January 2018 to 31 March 2019	Year ended 31 December 2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**15,245**	76,131
Past due but not impaired:		
Within 3 months	**2,180**	4,787
4 to 6 months	**2,389**	3,905
7 to 9 months	**2,184**	3,160
10 to 12 months	**2,221**	778
Over 1 year	**11,574**	4,609
	35,793	93,370

Receivables which were neither past due nor impaired related to a number of borrowers for whom there was no recent history of default. For those balances which were past due but not impaired, they related to a number of borrowers for which management has assessed their financial position and performance as well as collateral and considered the balances will be recovered in full and accordingly, no impairment loss is considered necessary.

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

11. LOAN RECEIVABLES

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

Loan receivables relate to 2 customers (31 December 2017: 3). The Company seeks to maintain strict control over its outstanding loan receivables so as to minimise credit risk. The granting of loans is subject to approval by management. Loan receivables are charged at the effective interest rates mutually agreed with contracting parties at fixed rates of 12% to 18% (year ended 31 December 2017: 12% to 15%) per annum.

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

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

	31 March 2019	31 December 2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**-**	61,295
Past due but not impaired:		
Within 3 months	**58,987**	-
Over 3 months	**127,817**	107,479
	186,804	168,774

12. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

Notes:

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

At 31 March 2019, the accounts receivables from margin clients were repayable on demand, interest-bearing at 9.25% (31 December 2017: 9.25%) per annum and secured by clients' securities that are listed on the Stock Exchange with a total market value of approximately HK$51,909,000 (31 December 2017: HK$52,342,000).

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

(b) The ageing analysis of accounts receivables arising from LNG business presented based on the invoice date and net of loss allowance is as follows:

	31 March 2019	31 December 2017
	HK$'000	*HK$'000*
Within 3 months	**47,643**	61,839
4 to 6 months	**17,787**	10,675
7 to 9 months	**5,769**	–
10 to 12 months	**8,367**	–
Over 12 months	**2,921**	–
	84,487	72,514

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group.

(c) The balance mainly represents rental deposits and deposits with suppliers.

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

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

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

13. ACCOUNTS PAYABLES

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

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

The accounts payables amounting to approximately HK$15,247,000 (31 December 2017: HK$44,211,000) were payable to clients in respect of the segregated client bank balances received and held for clients in the course of the conduct of regulated activities. The carrying amounts of the accounts payable arising from the ordinary course of business of dealing in securities are mainly denominated in Hong Kong dollars.

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

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

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

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

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

14. OTHER PAYABLES AND ACCRUALS

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

Notes:

(a) Contract liabilities represented short-term advances received before sales and distribution of LNG to customers. Revenue that was included in the contract liabilities at the beginning of the reporting period amounting to HK$80,201,000 was recognised during the period ended 31 March 2019.

(b) Balance of HK$493,922,000 (31 December 2017: HK$30,284,000) represented loans from a shareholder, Dr. Kan, of RMB20,000,000 (equivalent to approximately HK$23,369,000) (31 December 2017: Nil) and HK$473,922,000 (31 December 2017: HK$30,284,000) which bear interest at 8% and 5% per annum, respectively. The loans are unsecured with a maturity date on 30 June 2020. Balance of HK$20,647,000 (31 December 2017: Nil) represents interest on the loans from a shareholder.

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

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

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

15. FINANCE LEASE ARRANGEMENTS

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

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

16. INTEREST-BEARING BANK BORROWINGS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

The Group formed a joint venture company with CNOOC. The joint venture will integrate the superior resources of both parties in their respective areas of expertise and highlight the branding effect of the strong alliance. The aim of the joint venture is to build a cooperative platform for the domestic LNG full supply chain, to establish and open up sales channel, reduce middleman's participation, improve distribution efficiency, and reduce operating costs; rapid establishment of a LNG multimodal transport logistics system based on LNG tanks, changing the traditional LNG supply, storage, transportation and sales mode, to ensure a stable supply to users. The joint venture will increase market share in the domestic LNG industry and enhance customer loyalty, so as to further broaden the value chain of the Group in the LNG market.

In 2018, through mergers and acquisitions with partner companies, the Group's fleet comprised 230 LNG refilling trucks for transportation. At the same time, we have completed the purchase of 1,275 tanks, among which, 275 of them in operation. With the completion of the above work, our LNG logistics distribution capacity ranked first in the PRC.

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

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

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

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

In terms of logistics tanks, the Group aims to establish a LNG multimodal transport logistics system based on LNG tanks, utilizing its safety and flexibility, use for both transportation and storage and use for both water and on land, and has the inherent advantages of multimodal transportation of waterways, railways and highway, builds a cooperative platform for the domestic LNG full supply chain, to establish and open up sales channel, reduce middleman's participation, improve distribution efficiency, and reduce operating costs, change the traditional sense of LNG supply, storage, transportation, sales models, ensure stable supply to users.

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

BUSINESS REVIEW

Liquefied natural gas (LNG)

As an emerging LNG industry player, the Group has always been aimed to "address the persistent problem of air pollution and improve the environment" and committed to promoting the application of clean energy, including natural gas, in the PRC, and supports its application with a full LNG service chain conforming to the "online + offline" and "logistics and trade + end-user" models. Throughout the year 2018, the Group adopted various directions and set up routine guidelines and strategic framework for "logistics and trade + end-user". It also focused on the layout planning of LNG tank containers according to customer service provisions and development of the market with its own end-users and logistic service of refilling trucks so as to build good reputation in the industry, with the aim of creating a multimodal LNG transportation system.

As of 31 March 2019, the Group had 275 LNG tank containers in operation. The Group also established an efficient, transparent and convenient tank containers operations and distribution system. In November 2018, CNOOC, the Group, Yangpu Port, Longkou Port and Jinzhou Port jointly addressed the gas shortage in northern regions by using excess capacity from CNOOC's Yangpu receiving terminal and implementing "south-to-north LNG transport" with tank containers. It was the first successful large-scale multimodal LNG tank container transportation pilot scheme in the PRC. This large-scale LNG tank container transportation project was the first LNG transportation method in PRC and was a significant step in establishing an all-round and multi-channel LNG distribution system.

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

At the end of 2018, CLNG Investment (Shanghai) Co., Limited (港能投資(上海)有限公司) ("CLNG Investment"), a wholly-owned subsidiary of the Group, and Gas and Power Group Hanhai Energy Investment Limited Company (中海石油集團瀚海能源投資有限公司) ("Hanhai Energy"), a wholly-owned subsidiary of CNOOC, formed a joint venture committing them to regulate domestic LNG distribution channels, shorten circulation links, improve distribution efficiency, and reduce operating costs. Both parties will also jointly promote and establish the multimodal LNG tank container transport system as their main instrument for changing traditional methods of supply and ensuring users a stable supply.

The Group recorded a loss in its LNG businesses for the 15 months period ended 31 March 2019, due to:

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

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

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

SALES AND DISTRIBUTION OF LNG

Point-to-point supply (point supply)

As of 31 March 2019, the Group had 346 point-to-point end-user projects contracted for LNG supply, among which 181 went into operation and 118 were new end-user projects for the 15 months period ended 31 March 2019. The Group recorded a point-to-point LNG supply volume of 146,000 tons (total volume of approximately 210,757,000 cubic metres) for industrial end-user projects and a revenue of approximately HK$832,499,000 for the 15 months period ended 31 March 2019.

Wholesale of LNG (trade)

For 15 months period ended 31 March 2019, the Group recorded a LNG wholesale volume of 311,000 tons (after inter-segment elimination of the Group). Total volume was approximately 447,828,000 cubic metres, which was mainly derived from the supply of LNG trucks. The Group recorded revenues related to the wholesale of LNG of approximately HK$1,747,497,000.

Distribution of LNG

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

Finance leasing

For the 15 months period ended 31 March 2019, the Group's finance lease companies entered into certain finance lease arrangements for providing finance leasing to 2 point-supply projects with leasing principal of approximately HK$3,204,000, 214 heavy duty LNG vehicles (including tractors and trailers) with leasing principal of approximately HK$94,263,000 and 1,222 tank containers with leasing principal of approximately HK$243,395,000.

As at 31 March 2019, receivables under LNG finance lease arrangements and LNG finance lease receivables were approximately HK$17,247,000 and HK$8,447,000 respectively. During the 15 months period ended 31 March 2019, the Group achieved finance income of approximately HK$10,552,000 from finance leasing services for LNG vehicles and equipment.

Trading of securities

The Group conducts its trading of Hong Kong securities business through Key Fit Group Limited which has maintained a good and stable return for many years. During the 15 months period ended 31 March 2019, the stock market in Hong Kong was quite volatile, the Group did not carry out any securities trading for the 15 months period ended 31 March 2019.

Securities brokerage

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

CHKCAML is registered as a licensed corporation under the Securities and Futures Commission of Hong Kong (the "SFC") to carry on Type 1 (Dealing in Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (the "SFO"). CHKCAML currently provides mainly brokerage services, bond placing and margin financings to its clients for trading in securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group commenced to provide corporate finance advisory services on bond placing to our clients and generated revenue of HK$8,500,000 for the 15 months period ended 31 March 2019.

Financial service

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

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

FINANCIAL REVIEW

Due to the opinion that it is not absolute certain the Company can make a sizeable profit in the next year, the Board of Directors has reversed a deferred tax credit in the amount of HK$86,498,000, resulting in the Comprehensive Loss for the 12 months period ended in 31 December 2017 of HK$156,671,000 to that for the 15 months period ended in 31 March 2019 of HK$286,604,000.

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

2018 is a year full of opportunities and challenges, the gross turnover and loss attributable to the shareholders for the year are HK$2,670,000,000 and HK$254,000,000 respectively, representing an increase of 198% and 105% as compared with last year respectively. Loss per share increased by 106% to HK$4.51 cents.

Revenue

Revenue increased by approximately 198% from approximately HK$896,952,000 for the twelve months period 31 December 2017 to approximately HK$2,670,934,000 for the 15 months period ended 31 March 2019. Revenue derived from provision of finance leasing services for LNG vehicles and equipment decreased by approximately 47% from approximately HK$15,530,000 for the twelve months ended 31 December 2017 to approximately HK$10,552,000 for the 15 months period ended 31 March 2019 because of the decrease in the number of leases. Revenue derived from sales and distribution of LNG including point-to-point supply of LNG and wholesale of LNG increased by approximately 180% from approximately HK$922,278,000 for the twelve months 31 December 2017 to approximately HK$2,581,019,000 for the 15 months period ended 31 March 2019 because of the expansion of LNG businesses. No revenue was derived from trading of securities for the 15 months period ended 31 March 2019 as the Group employed all its resources to the LNG businesses. Revenue derived from provision of securities brokerage, bond placing, margin financing and securities investment business increased by approximately 165% from approximately HK$5,902,000 for the twelve months 31 December 2017 to approximately HK$15,638,000 for the 15 months period ended 31 March 2019 as the Group commenced to provide corporate finance advisory services on bond placing to our clients. Revenue derived from the financial services through provision of money lending business increased by approximately 38% from approximately HK$23,163,000 for the twelve months ended 31 December 2017 to approximately HK$32,079,000 for the Period mainly due to the longer duration of the 15 months period ended 31 March 2019.

Other income and gains

Other income and gains increased by approximately 31% from approximately HK$6,448,000 for the twelve months ended 31 December 2017 to approximately HK$8,425,000 for the 15 months period ended 31 March 2019. The increase was mainly due to a gain on disposal of Hebei Tiandao Energy Storage Transportation Co. Ltd. (河北天道能源儲運有限公司) for the 15 months period ended 31 March 2019.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 48% from approximately HK$26,089,000 for the twelve months ended 31 December 2017 to approximately HK$38,511,000 for the 15 months period ended 31 March 2019 because of the increase in staff costs and employee benefit expenses, travelling expenses and entertainment expenses for sales staff due to the continuing expansion of LNG businesses in the PRC for the Period.

Administrative expenses

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

Finance costs

Finance costs for the 15 months period ended 31 March 2019 increased significantly by 9,900% from approximately HK$284,000 for the twelve months ended 31 December 2017 to approximately HK$28,345,000 for the 15 months period ended 31 March 2019 mainly due to (i) increase shareholder's loans to approximately HK$493,922,000 for the period ended 31 March 2019, (ii) the issuance of convertible notes to Macquarie Bank Limited ("**Macquarie**") and (iii) addition of loans from third parties during the 15 months period ended 31 March 2019.

Income tax expense

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

CONVERTIBLE NOTES

On 29 January 2018 and 12 February 2018, the Company and Macquarie entered into a subscription agreement and amendments agreement, respectively, pursuant to which Macquarie has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, convertible notes in an aggregate principal amount of HK$800 million, which is to be issued in a single tranche with interest rate at 1% per annum and at the issue price of 99% of the principal amount of the convertible notes ("**Convertible Notes**"). The Convertible Notes are convertible into ordinary shares of the Company at a conversion price of 95% of the volume weighted average price of the shares of the Company as traded on the Stock Exchange on the trading day immediately preceding the date of delivery of the relevant conversion notice to the Company. The maximum number of conversion shares to be issued upon exercise of conversion rights attached to the Convertible Notes shall be 666,666,000 in any event. To secure the performance of the Company's obligations under, among others, the terms and conditions of the Convertible Notes, on 29 January 2018, the Company entered into a charge over its cash account opened with Macquarie for receiving and holding the net subscription moneys of the Convertible Notes in favour of Macquarie. On 20 February 2018, the Company issued the Convertible Notes in principal amount of HK$800 million to Macquarie. During the 15 months period ended 31 March 2019, Macquarie exercised the conversion rights attached to the Convertible Notes in aggregate principal amount of HK$34 million at average conversion price of HK$1.2286, representing an average discount of 6.56% to the closing market price as quoted on the Stock Exchange immediately preceding day the shares were issued. The net proceeds of approximately HK$33.7 million from issue of conversion shares were used by the Company for general working capital purpose. On 1 June 2018, being the maturity date of the Convertible Notes, all the outstanding Convertible Notes have been redeemed and cancelled by the Company at the remaining principal amount of HK$758.3 million. As at 31 March 2019, the Company has no outstanding Convertible Notes that are convertible into shares of the Company

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had total cash and bank balances of approximately HK$100,388,000 as at 31 March 2019 (31 December 2017: approximately HK$364,162,000). As at 31 March 2019, bank and other borrowings of the Group amounted to approximately HK$654,066,000 (31 December 2017: HK$30,284,000) comprised with bank borrowings of approximately HK$50,244,000 (31 December 2017: Nil), obligation under finance lease of approximately HK$13,151,000 (31 December 2017: Nil), loans from a shareholder of approximately HK$493,922,000 (31 December 2017: HK$30,284,000), loans from joint ventures of approximately HK$47,907,000 (31 December 2017: Nil) and loan from a third party of approximately HK$48,842,000 (31 December 2017: Nil). The bank borrowings bear interest rate at range of Loan Prime Rate + 0.04% and People's Bank of China benchmark interest rate ×160%. The Group's gearing ratio is calculated as net debt divided by total equity was 119% as at 31 March 2019 (31 December 2017: N/A). Net debt is calculated as bank and other borrowings, account payables, other payables and accruals and loan from a shareholder less bank balances and cash. Net debts were approximately HK$1,075,978,000 as at 31 March 2019 (31 December 2017: Net cash approximately HK$69.8 million). The Group recorded total current assets value of approximately HK$690,387,000 as at 31 March 2019 (31 December 2017: approximately HK$1,181,505,000) and total current liabilities value of approximately HK$681,027,000 as at 31 March 2019 (31 December 2017: approximately HK$343,746,000). The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was approximately 1.01 as at 31 March 2019 (31 December 2017: approximately 3.4). The current ratio continues to maintain at a healthy condition. Currently, the Group's operating and capital expenditures are mainly financed by cash generated from operation, internal liquidity, bank borrowings and fund advanced from the controlling shareholder.

DIVIDEND

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

RISK MANAGEMENT

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

Foreign currency risk

Transactions of the Group were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the Period. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the 15 months period ended 31 March 2019 and 12 months ended 31 December 2017, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

Liquidity risk

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

TREASURY POLICIES

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

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

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

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

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

CAPITAL COMMITMENT

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

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2019 (31 December 2017: Nil).

STAFF AND REMUNERATION POLICIES

Human resources are our greatest assets. The Group always regards the personal development of our employees as highly important. The Group believes to maintain employees' passion and enthusiasm as the key to its continued success and future development. Therefore, the Group has always placed its emphasis on the importance to talent cultivation and recruitment. The Group invests in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. As at 31 March 2019, the Group had 1,285 employees (31 December 2017: 682 employees), of whom 223 were administrative staff and operating staff; 572 were LNG truck driver; 276 were technical staff; 116 were managerial staff and the remaining 98 were marketing staff. The Group's total staff costs amounted to approximately HK$114.7 million (for the 12 months ended 31 December 2017: approximately HK$71.6 million) for the 15 months period ended 31 March 2019. The Group offers competitive remuneration packages to our employees. The Group remunerated its employees mainly based on the industry practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual's performance.

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

Neither the Company nor any of its subsidiaries purchased or sold or redeemed any of the Company's listed securities during the 15 months period ended 31 March 2019.

OTHER MATTERS

Change of Auditor

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

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "**Audit Committee**") include the review and supervision of the Group's financial reporting process, risk management and internal controls. The Audit Committee has reviewed the unaudited consolidated financial result of the Group for the 15 months ended 31 March 2019. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Au Yeung Po Fung and Mr. Lam Lum Lee.

CORPORATE GOVERNANCE CODE

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

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

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

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

3. Under the Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two of the non-executive directors, Mr. Simon Murray and Dr. Lam, Lee G. were unable to attend the general meetings held on 1 June 2018 and 19 September 2018 and one independent non-executive Director, Mr. Lam Lum Lee was unable to attend the general meetings held on 19 September 2018 as they had other business engagements. However, they subsequently requested the company secretary of the Company to report to them on the views of the Shareholders in the general meetings. As such, the Board considers that the development of a balanced understanding of the views of Shareholders among the non-executive Directors and independent non-executive Directors was ensured.

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 period from 1 January 2018 to 31 March 2019 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, 27 June 2019

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 Mr. Simon Murray; and the independent non-executive Directors are Dr. Li Yao, Mr. Li Siu Yui, Mr. Au Yeung Po Fung and Mr. Lam Lum Lee.

* *For identification purposes only*