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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Non-Executive Directors

Mr. Simon Murray  
Dr. Lam, Lee G.

### Independent Non-Executive Directors

Mr. Li Siu Yui  
Mr. Lam Lum Lee  
Mr. Au Yeung Po Fung

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Mr. Ha Cheuk Pan  
(appointed on 25 April 2017)

## INDEPENDENT AUDITORS

PKF Hong Kong Limited

## AUTHORISED REPRESENTATIVES

Mr. Keung Chi Lap, Benjamin  
Mr. Ha Cheuk Pan  
(appointed on 25 April 2017)

## PRINCIPAL BANKERS

Hang Seng Bank Limited  
China Construction Bank (Asia)

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8/F, St. John's Building  
33 Garden Road  
Central, Hong Kong

## PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Standard Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## WEBSITE

[chinalng.todayir.com](http://chinalng.todayir.com)

## STOCK CODE

931

# Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of China LNG Group Limited (the "Company"), I am pleased to announce the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017.

The Group has developed into and positioned itself as a comprehensive regional liquefied natural gas ("LNG") solutions provider. It endeavours to develop retail, trading and transportation businesses in the People's Republic of China (the "PRC") leveraging on the safety, reliability and cleanliness of LNG as an energy source, while also providing leasing services for LNG vehicles, vessels and equipment. The Group has 38 wholly-owned subsidiaries, 24 non-wholly owned subsidiaries and 4 associates in 17 cities in the PRC. The Group operates its business mainly in the "2+26" urban areas suffering from relatively serious air and water pollution, including Tianjin, Hebei, Shandong, Anhui, Jiangsu, Henan, Zhejiang, Hubei and the Pearl River Delta region.

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). The Group gave active support to the state energy utilising policy and the "thirteenth five-year" plan and vigorously promoted the reform of the country's energy structure. Since February 2015, the Group has focussed on the development of the LNG business in the PRC and successfully penetrated the LNG end-user market in July 2016. The Group's employee headcount has increased from 120 to more than 680, serving over 300 industrial end-users (in addition, more than 380 industrial users which are construction in progress and contracted customers, while more than 700 projects were under negotiation) and 222 trade customers. In 2017, the Group supplied approximately 500,000 cubic metres of LNG in volume to industrial end-users daily, representing an increase of about 70 times in accumulated annual supply volume as compared with 2016.

## RESULTS

After a short retreat, consumption of natural gas in the PRC recovered to a rapid growth track in 2017. In particular, growth in the consumption of clean energy – mainly natural gas – was more significant than that of coal and oil. Overall, the transition of the energy infrastructure to clean energy was on track, driven by policies and measures of the Chinese government and the potential of energy companies in the PRC. As a corporate taking responsibility on the global environment, the Group will continue to encourage and promote the use of LNG and clean energy.

Faced with many challenges as well as opportunities in 2017, the Group's operating revenue and loss attributable to equity shareholders for the year amounted to HK\$897.0 million and HK\$123.7 million respectively, representing an increase of 349.4% and a decrease of 234.5% respectively over last year. The Group recorded loss per share of HK2.195 cents for the year ended 31 December 2017. (2016: Earning per share of HK1.632 cents).

During 2017, the Group completed 309 industrial point-to-point supply projects, all of which were put into operation. There were 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 for the year.

During 2017, the Group recorded a LNG wholesale volume of 219,280,600 cubic metres.

During 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 an aggregate leasing capital being approximately HK\$144,476,000.

\* For identification purposes only

# Chairman's Statement

## PROSPECTS

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.

# Chairman's Statement

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.

## 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.

## ACKNOWLEDGEMENT

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

**Kan Che Kin, Billy Albert**

*Chairman*

Hong Kong, 29 March 2018

# Management Discussion and Analysis

## 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.

# Management Discussion and Analysis

## 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.

# Management Discussion and Analysis

## 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.

# Management Discussion and Analysis

## 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.

# Management Discussion and Analysis

## 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.

# Management Discussion and Analysis

## 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) (“Shandong 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 Shandong Aohai and Shandong 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.

# Management Discussion and Analysis

## 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 7 to the consolidated financial statements.

## 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.

# Management Discussion and Analysis

## 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.

# Biographical Details of Directors and Senior Management

## EXECUTIVE DIRECTORS

### Dr. Kan Che Kin, Billy Albert (“Dr. Kan”)

Dr. Kan, aged 65, was appointed as an executive Director, the chairman and the chief executive officer of the Company in May 2013. Dr. Kan graduated from the University of East Anglia in the United Kingdom with a Bachelor of Science degree. Dr. Kan further received a degree of Doctor of Civil Law *honoris causa* from the University of East Anglia in July 2016. Dr. Kan is an associate member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and a fellow of the Hong Kong Securities Institute. Dr. Kan had worked with Deloitte Touche Tohmatsu and KPMG and is equipped with extensive experience in accounting, taxation and corporate finance. Dr. Kan is currently the Vice President of the Trade and Logistics Branch of the China General Chamber of Commerce. In addition, Dr. Kan has over 30 years of experience in serving on the board of directors of financial institutions and listed companies in Hong Kong, including Security Pacific Credit Hong Kong Limited (a subsidiary of Security Pacific National Bank, taken over by Bank of America then by China Construction Bank), Burlingame International Company Limited (now renamed as EverChina Int'l Holdings Company Limited) (stock code: 202) and Warderly International Holdings Limited (now renamed as Fullshare Holdings Limited) (stock code: 607). Dr. Kan resigned as a director of EverChina Int'l Holdings Company Limited in September 2000 and of Fullshare Holdings Limited in December 2013. Dr. Kan is also a director of several wholly-owned subsidiaries of the Company. Mr. Li Kai Yien, Arthur Albert is a nephew of Dr. Kan.

### Mr. Chen Li Bo (“Mr. Chen”)

Mr. Chen, aged 68, was appointed as an executive Director and the deputy chairman of the Company in January 2015. Mr. Chen graduated from China's Northeastern University of Finance (formerly the Liaoning Institute of Finance), worked for the China Construction Bank for over 15 years and was a vice president of the Pudong branch. Mr. Chen worked over 14 years for HKC (Holdings) Limited, whose predecessor is Kumagai Gumi (Hong Kong) Limited 熊谷組(香港)有限公司 and was their executive director, chief operating officer, deputy chairman and chief executive officer. Mr. Chen has served on the board of directors of two listed companies in Hong Kong, including HKC (Holdings) Limited (stock code: 190) and J.I.C. Technology Company Limited (now renamed as China Renewable Energy Investment Limited) (stock code: 987). He resigned as director of HKC (Holdings) Limited and China Renewable Energy Investment Limited in 2008. Mr. Chen has extensive experience in finance and corporate affairs in China.

### Mr. Li Kai Yien, Arthur Albert (“Mr. Li”)

Mr. Li, aged 45, was appointed as an executive Director in October 2007. Mr. Li graduated from University of Southern California with a Bachelor of Science degree in 1995. Mr. Li has been a Certified Public Accountant since 2001 and has more than 10 years' experience in accounting and securities dealing. Mr. Li is currently a dealer representative of Phillip Securities (HK) Ltd. Mr. Li is a nephew of Dr. Kan and brother of Ms. Li.

## NON-EXECUTIVE DIRECTORS

### Mr. Simon Murray (“Mr. Murray”)

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

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

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

## Biographical Details of Directors and Senior Management

He has been an independent non-executive director and vice chairman of Essar Energy Plc from April 2010 to May 2014, and the chairman and an independent non-executive director of Gulf Keystone Petroleum Ltd. from July 2013 to March 2015, both companies are listed in the United Kingdom. He was formerly an independent non-executive director of Hutchison Whampoa Limited (stock code:13), CK Hutchison (Holdings) Limited (with effect from 18 March 2015, Cheung Kong (Holdings) Limited became a wholly owned subsidiary of CK Hutchison Holdings Limited and its listing status was replaced by CK Hutchison (stock code: 0001)), Arnhold Holdings Limited (renamed to Summit Ascent Holdings Limited after his resignation on 24 March 2011) and a non-executive chairman of Glencore International Plc (renamed to Glencore Xstrata Plc) (stock code: 805), all are companies listed in Hong Kong. He was an independent director of Sino-Forest Corporation, previously listed in Canada and a non-executive director of Vodafone Group Plc, a company listed in the United Kingdom.

### **Dr. Lam, Lee G. (“Dr. Lam”)**

Dr. Lam, aged 58, was appointed as a Non-Executive Director in April 2015. Dr. Lam served as an Independent Non-Executive Director from October 2014 to April 2015. He is the Chairman of Hong Kong Cyberport Management Company Limited, Non-Executive Chairman-Hong Kong and ASEAN Region and Chief Adviser to Macquarie Infrastructure and Real Assets Asia, a member of the Hong Kong Special Administrative Region Government’s Committee on Innovation, Technology and Re-Industrialization, the Hong Kong Council on Smoking and Health, the Council on Professional Conduct in Education (CPC), and the Court of the City University of Hong Kong, Vice Chairman of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Business Advisory Council and Chairman of its Task Force on Banking and Finance, Chairman of the Permanent Commission on Economic and Financial Issues of World Union of Small and Medium Enterprises (WUSME), a board member of Pacific Basin Economic Council (PBEC), a member of the Belt and Road Committee of the Hong Kong Trade Development Council, a member of Sir Murray MacLehose Trust Fund Investment Advisory Committee, Honorary Advisor to the Hong Kong Business Angel Network (HKBAN), Honorary Chairman-Asia Pacific of CMA Australia, Chairman of Monte Jade Science and Technology Association of Hong Kong, President of Hong Kong-ASEAN Economic Cooperation Foundation, a Vice President of the Hong Kong Real Property Federation, Special Adviser to the Asia Pacific Real Estates Association, a board member of the Chinese General Chamber of Commerce of Hong Kong and the Australian Chamber of Commerce in Hong Kong and Macau, a founding board member and the Honorary Treasurer of the Hong Kong Vietnam Chamber of Commerce, Vice Chairman of the Hong Kong Myanmar Chamber of Commerce, a founding member of the Hong Kong-Korea Business Council, and a member of the Hong Kong-Thailand Business Council.

Dr. Lam earlier also served as a part-time member of the Hong Kong Special Administrative Region Government’s Central Policy Unit, and a member of the Task Force on Industry Facilitation under the Digital 21 Strategy Advisory Committee, the Assessment Panel of the Small Entrepreneur Research Assistance Programme under the Innovation and Technology Fund, the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited, the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, the New Business Committee of the Hong Kong Financial Services Development Council, the Education Bureau School Allocation Committee and the Legal Aid Services Council.

Dr. Lam has over 30 years of international experience in general management, strategy consulting, corporate governance, direct investment, investment banking and fund management across the telecommunications/media/technology (TMT), consumer/healthcare, infrastructure/real estates, energy/resources and financial services sectors. Dr. Lam earlier served as a General Manager of Hongkong Telecom, Vice President and Managing Partner-Greater China of the international management consulting firm A.T. Kearney, President & Chief Executive Officer and Vice Chairman of the board of directors of Chia Tai Enterprises International Limited (now renamed as C.P. Lotus Corporation) of multinational conglomerate CP Group, Vice Chairman and Chief Operating Officer of Investment Banking Division of BOC International Holdings (the international investment banking arm of the Bank of China group), Executive Director of Singapore Technologies Telemedia (a member of Temasek Holdings), and Chairman-Hong Kong, Vietnam, Cambodia, Laos, Myanmar and Thailand and Senior Adviser-Asia of Macquarie Capital.

# Biographical Details of Directors and Senior Management

Dr. Lam holds a Bachelor of Science degree in sciences and mathematics, a Master of Science in systems science and a Master of Business Administration from the University of Ottawa in Canada, a post-graduate diploma in public administration from Carleton University in Canada, a post-graduate diploma in English and Hong Kong Law and a Bachelor of Laws (Hons) from Manchester Metropolitan University in the United Kingdom, a Master of Laws from the University of Wolverhampton in the United Kingdom, a Postgraduate Certificate in Laws from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong School of Continuing and Professional Studies (CUSCS), a Master of Public Administration and a Doctor of Philosophy from the University of Hong Kong. A former member of the Hong Kong Bar Association, Dr. Lam is a Solicitor of the High Court of Hong Kong, an Honorary Fellow of Certified Practising Accountants (CPA) Australia, a Fellow of Certified Management Accountants (CMA) Australia, a Fellow of the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Fellow of the Hong Kong Institute of Directors and an Honorary Fellow of the University of Hong Kong School of Professional and Continuing Education (HKU SPACE).

Dr. Lam is an independent non-executive director of each of CSI Properties Limited (stock code: 497), Glorious Sun Enterprises Limited (stock code: 393), Vongroup Limited (stock code: 318), Mei Ah Entertainment Group Limited (stock code: 391), Elife Holdings Limited (stock code: 223), Haitong Securities Company Limited (Stock Code: 6837 which is also listed on the Shanghai Stock Exchange with stock code: 600837), Huarong Investment Stock Corporation Limited (stock code: 2277), Xi'an Haitiantian Holdings Co., Ltd. (stock code: 8227, formerly known as Xi'an Haitian Antenna Holdings Co., Ltd.), China Shandong Hi-Speed Financial Group Limited (stock code: 412), Hua Long Jin Kong Company Limited (stock code: 1682, formerly known as Highlight China IoT International Limited), and Kidsland International Holdings Limited (stock code: 2122); and a non-executive director of each of National Art Entertainment and Culture Group Limited (stock code: 8228), Sunwah Kingsway Capital Holdings Limited (stock code: 188) and Tianda Pharmaceuticals Limited (stock code: 455), the shares of all of which are listed on the Stock Exchange. He is an independent non-executive director of each of Asia-Pacific Strategic Investments Limited (stock code: 5RA), Rowsley Limited (stock code: A50), Top Global Limited (stock code: 519), and Singapore e-Development Limited (stock code: 40V) the shares of all of which are listed on the Singapore Exchange. Dr. Lam is also an independent director of Sunwah International Limited (stock code: SWH), the shares of which are listed on the Toronto Stock Exchange; an independent non-executive director of AustChina Holdings Limited (stock code: AUH), the shares of which are listed on the Australian Securities Exchange; and a non-executive director of Adamas Finance Asia Limited (stock code: ADAM), the shares of which are listed on the London Stock Exchange.

Dr. Lam was a non-executive director of DTXS Silk Road Investment Holdings Company Limited (formerly known as UDL Holdings Limited) (stock code: 620) and ZH International Holdings Limited (formerly known as Heng Fai Enterprises Limited) (stock code: 185), the shares of all of which are listed on the Stock Exchange. Dr. Lam was also an independent non-executive director of Imagi International Holdings Limited (stock code: 585), Roma Group Limited (stock code: 8072), Mingyuan Medicare Development Company Limited (stock code: 233), Rui Feng Petroleum Chemical Holdings Limited (stock code: 8096), the shares of all of which are listed on the Stock Exchange, and Vietnam Equity Holding (stock code: 3MS), the shares of which are listed on the Stuttgart Stock Exchange.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Mr. Li Siu Yui

Mr. Li Siu Yui, aged 47, was appointed as an independent non-executive Director in October 2007. He holds a Master's degree in Business Administration from University of Wales. He has over 15 years' experience in the area of investment. He was working in securities companies during the period from 1997 to 2002. Afterward, he has been engaged as an investment manager in two private companies.

Mr. Li Siu Yui is currently an independent non-executive Director of Jia Meng Holdings Limited (now renamed as EJE (Hong Kong) Holdings Limited) (stock code: 8101).

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

# Biographical Details of Directors and Senior Management

## Mr. Au Yeung Po Fung (“Mr. Au Yeung”)

Mr. Au Yeung, aged 50, was appointed as an independent non-executive Director in July 2016. Mr. Au Yeung holds the Bachelor of Arts (Honours) Degree in Finance from the Hong Kong Polytechnic University, is a fellow member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants, a charter holder of the CFA Institute, and a member of Hong Kong Society of Financial Analysts.

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

Mr. Au Yeung is also an independent non-executive Director of GR Properties Limited (stock code: 108).

## Mr. Lam Lum Lee (“Mr. Lam”)

Mr. Lam, aged 72, was appointed as an independent non-executive Director in May 2015. Mr. Lam, is currently chairman of China Information Industry Association (中華信息產業聯合會) and chairman of China Culture & Education Foundation (中華文化教育基金會). He was a committee member of Hong Kong Vocational Training Council of Electronic and Telecommunication Division (香港職業訓練局通訊及電子委員會), the president of Hong Kong Critical Components Manufacturers Association (香港關鍵性零部件製造業協會), the vice chairman of Hong Kong Electronic Technology Association (香港電子科技商會), and a director of Hong Kong Optoelectronic Association (香港光電子協會).

## SENIOR MANAGEMENT

### Mr. Keung Chi Lap, Benjamin (“Mr. Keung”)

Mr. Keung, aged 38, was appointed as chief financial officer in March 2017. Mr. Keung holds a Bachelor Degree in Accounting and Finance from The University of Hong Kong. He is a fellow member of The Association of Chartered Certified Accountants. He has extensive experience in financial management, auditing, taxation, and company secretarial matters.

# Corporate Governance Report

## CORPORATE GOVERNANCE CODE

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

The Company has complied with the code provisions of the Corporate Governance Code during the 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.

## BOARD OF DIRECTORS

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

### Executive Directors

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

### Non-Executive Directors

Mr. Simon Murray  
Dr. Lam, Lee G.

### Independent Non-Executive Directors

Mr. Li Siu Yui  
Mr. Lam Lum Lee  
Mr. Au Yeung Po Fung

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

# Corporate Governance Report

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

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

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

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

## Corporate Governance Functions

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

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of directors and senior management;
- (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

The Directors acknowledge the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices. According to the training records provided to the Company by the individual Directors, the Directors have read journals, regulatory updates and/or attended external seminars and programmes with appropriate emphasis on the roles, functions and duties of a director of a listed company in 2017.

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

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.

# Corporate Governance Report

## BOARD DIVERSITY POLICY

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

### Summary of the Board Diversity Policy

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

### Measurable Objectives

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

### Monitoring and Reporting

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

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

## REMUNERATION COMMITTEE

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

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

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

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

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

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

# Corporate Governance Report

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2017 is set out below:

Remuneration bands	Number of persons
Nil to HK\$1,000,000	63
HK\$1,000,001 to HK\$1,500,000	1

Directors' emoluments comprise payments to the Directors by the Group in connection with the management of the affairs of the Group and other benefits. Further particulars regarding directors' remuneration and the five highest paid employees are shown in note 10 to the consolidated financial statements.

## AUDIT COMMITTEE

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

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

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

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

During the year, the Audit Committee held two meetings. Matters considered at the meetings included revision of the Group's 2016 annual results, 2017 interim results, the fees for engaging the external auditors to provide the audit for the year 2016 and the interim review for the year 2017, the independence of the external auditors, the fees for non-audit services, the Company's financial control, internal control and risk management system, accounting and finance matters.

## NOMINATION COMMITTEE

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

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

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

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

# Corporate Governance Report

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

Directors	Attendance/Number of meetings held during the year					
	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Annual general meeting	Extraordinary general meeting
<b>Executive Directors</b>						
Dr. Kan Che Kin, Billy Albert ( <i>Chairman</i> )	8/8	N/A	1/1	1/1	1/1	0/1
Mr. Chen Li Bo ( <i>Deputy Chairman</i> )	6/8	N/A	N/A	N/A	0/1	0/1
Mr. Li Kai Yien, Arthur Albert	8/8	N/A	N/A	N/A	1/1	0/1
<b>Non-Executive Directors</b>						
Mr. Simon Murray	6/8	N/A	N/A	N/A	0/1	0/1
Dr. Lam, Lee G.	5/8	N/A	N/A	N/A	0/1	0/1
<b>Independent Non-Executive Directors</b>						
Mr. Li Siu Yui	7/8	2/2	1/1	1/1	1/1	0/1
Mr. Lam Lum Lee	6/8	1/2	N/A	N/A	1/1	1/1
Mr. Au Yeung Po Fung	7/8	2/2	1/1	1/1	0/1	1/1

## AUDITOR'S REMUNERATION

For the year ended 31 December 2017, the fee paid/payable to the Group's external auditor, PKF Hong Kong Limited, for the audit and non-audit services was HK\$780,000 and HK\$120,000 respectively. The total amount of fees paid/payable to other firms for providing audit services for the year ended 31 December 2017 was HK\$29,000. The non-audit services paid/payable to other firms for taxation services was HK\$50,700. In considering the re-appointment of the external auditors, the Audit Committee has taken into consideration their relationship with the Company and their independence in the provision of non-audit services. Based on the results of the review and after taking into account the opinion of the management of the Group, the Audit Committee recommended the Board to re-appoint PKF Hong Kong Limited as the external auditors of the Company for the year ending 31 December 2018, subject to approval by the Shareholders at the forthcoming annual general meeting to be held on 1 June 2018. There is no former partner of the existing firm auditing the accounts of the Company acting as a member of the Audit Committee within one year commencing on the date of his ceasing to be a partner of the firm. In addition, the Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered.

## INTERNAL CONTROL

During the year ended 31 December 2017, the Board through the Audit Committee, has conducted a review of the effectiveness of the system of internal control of the Group to ensure that a sound internal control system is maintained and operated by the management in compliance with the agreed procedures and standards. The review has covered all material aspects of internal control including financial, operational and compliance controls and risk management functions of the Group.

# Corporate Governance Report

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Group for the year ended 31 December 2017. The Directors ensure that the audited consolidated financial statements of the Group for the year ended 31 December 2017 have been properly prepared in accordance with the statutory requirements and applicable accounting standards.

A report of the independent auditors of the Group is set out on pages 41 to 45 of this annual report.

## COMPANY SECRETARY

Mr. Keung has resigned as a company secretary of the Company so as to devote more time to his role as chief financial officer of the Group with effect from 25 April 2017. Consequent to the above resignations, Mr. Ha Cheuk Pan has been appointed as the company secretary of the Company with effect from 25 April 2017 and becomes the sole company secretary of the Company. The company secretary was responsible for advising the board through the chairman and the chief executive on governance matters and report to the chairman and the chief executive. During the year ended 31 December 2017, the company secretary have duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

## COMMUNICATION WITH SHAREHOLDERS

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

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

- (i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [chinalng.todayir.com](http://chinalng.todayir.com);
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website;
- (iv) Annual general meeting and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management;
- (v) the Company's share registrars' serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters;
- (vi) Shareholders and the investment community may at any time make a request to the company secretary of the Company in writing for the Company's information to the extent such information is publicly available. The contacts details are set out in the "Company Information" section of the Company's website at [chinalng.todayir.com](http://chinalng.todayir.com); and
- (vii) Publicly available news and information about the Company can also be sent to Shareholders who have subscribed to the service on the Company's website.

# Corporate Governance Report

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

Mr. Li Siu Yui, the chairman of the Remuneration Committee, Audit Committee and Nomination Committee and PKF Hong Kong Limited, the external auditors of the Company had attended the AGM.

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

Two of the NEDs, Mr. Murray and Dr. Lam, and one INED, Mr. 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 meetings 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.

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

## SHAREHOLDERS' RIGHTS

### Procedures for Shareholders to Convene an Extraordinary General Meeting

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

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

### Procedures for Putting forward Proposals at a General Meeting

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

# Corporate Governance Report

## Procedures for Proposing a Person for Election as a Director

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

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

1. Prepare a signed notice of intention to propose a Candidate for election. The notice has to be signed by a member other than the Candidate being proposed.
2. Obtain a notice signed by the Candidate stating his willingness to be elected.
3. Both notices, completed in accordance with Rules 13.51(2) of the Listing Rules, are to be submitted to the head office or the registration office at least 7 days before the dispatch of the notice of such general meeting.
4. Should the notice of the general meeting appointed for such election has been sent out, the period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and the last day to do so is 7 days before the date of such general meeting.

## Procedures for Directing Shareholders’ Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the company secretary of the Company whose contact details are set out in the “Company Information” section of the Company’s website at [chinalng.todayir.com](http://chinalng.todayir.com).

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

# Report of the Directors

The Board presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the principal activities of the Group are development of LNG businesses in China, including (i) in PRC, point-to-point supply and wholesale of LNG, provision of LNG logistic services, sales of LNG vehicles, provision of finance leasing services for LNG vehicles, vessels and equipment as approved by the Chinese Ministry of Foreign Trade and Economic Cooperation; and (ii) in Hong Kong, trading of securities, provision of securities brokerage, margin financing and securities investments and financial services through provision of money lending business. The principal activities of its subsidiaries are set out in note 40 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 46 and 47 of this annual report.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017.

## SHARE CAPITAL

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

## RELATIONSHIP WITH INVESTORS AND THE PUBLIC

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

# Report of the Directors

## ENVIRONMENTAL POLICIES

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

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the PRC while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong and the PRC. During the year ended 31 December 2017 and up to the date of this report, we have complied with all the relevant laws and regulations in Hong Kong and the PRC.

## FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 120 of the annual report.

## INVESTMENT PROPERTIES AND PLANT AND EQUIPMENT

Details of movements in investment properties and plant and equipment of the Group during the year are set out in notes 16 and 17 to the consolidated financial statements respectively.

## SHARE OPTION SCHEME

The Company has not adopted any share option scheme as at 31 December 2017.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive Directors:

Dr. Kan Che Kin, Billy Albert (*Chairman*)

Mr. Chen Li Bo (*Deputy Chairman*)

Mr. Li Kai Yien, Arthur Albert

### Non-Executive Directors:

Mr. Simon Murray

Dr. Lam, Lee G.

### Independent Non-Executive Directors:

Mr. Li Siu Yui

Mr. Lam Lum Lee

Mr. Au Yeung Po Fung

In accordance with the provisions of the Company's articles of association, Mr. Chen Li Bo, Mr. Simon Murray and Dr. Lam, Lee G. will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

# Report of the Directors

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

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

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

## CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the three INEDs an annual confirmation for the year ended 31 December 2017 of his independence as required under Rule 3.13 of the Listing Rules and considers all the INEDs are independent.

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

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO) or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Name of company in which interests were held	Nature of interests	Long position/ Short position	Number of Shares held	Approximate percentage of shareholding
Dr. Kan Che Kin, Billy Albert	The Company	Beneficial owner	Long position	3,929,272,859 Shares	69.96%
	The Company	Beneficial owner	Short position	76,668,000 Shares	1.37%
Mr. Li Kai Yien, Arthur Albert	The Company	Beneficial owner	Long position	200,000 Shares	0.00%
Mr. Chen Li Bo	The Company	Beneficial owner	Long position	20,000,000 Shares (Note)	0.36%
Mr. Simon Murray	The Company	Beneficial owner	Long position	5,000,000 Shares (Note)	0.09%
Dr. Lam, Lee G.	The Company	Beneficial owner	Long position	10,000,000 Shares (Note)	0.18%

Note:—

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

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2017.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, so far as was known to the Directors and chief executives of the Company, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 December 2017.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as set out in note 14 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executives of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for securities of the Company or had exercised any such right.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as set out in note 36 to the consolidated financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor had there been any contract of significance entered into between the Group and a controlling Shareholder of the Company during the year.

## REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 10 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders of the Company as at 31 December 2017 and 2016 were as follows:

	2017 HK\$'000	2016 HK\$'000
Share premium	401,279	428,029
Special reserve	112,369	112,369
Accumulated losses	32,110	(10,432)
Total	545,758	529,966

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

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

# Report of the Directors

## MAJOR CUSTOMER AND SUPPLIER

Revenue attributable to the Group's five largest customers accounted for approximately 23% of the Group's total revenue for the year ended 31 December 2017 and revenue attributable to the largest customer included therein amounted to approximately 9%. Purchases from the Group's five largest suppliers accounted for approximately 58% of the Group's total purchases for the year ended 31 December 2017 and purchases from the largest suppliers included therein amounted to approximately 15%.

None of the Directors, their respective associates or any Shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in any of the lessee or customer of the Group for the year ended 31 December 2017.

## PRE-EMPTIVE RIGHTS

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

## RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes maintained by the Group are set out in note 35 to the consolidated financial statements.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

## SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, there was sufficient public float throughout the year ended 31 December 2017 and as at the latest practicable date prior to the issue of this annual report.

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

During the 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 HK\$	Lowest price per share HK\$	Aggregate consideration paid (before expense) 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.

# Report of the Directors

## INDEMNITY OF DIRECTORS

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

## NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Details of significant non-adjusting events after the reporting period are set out in note 43 to the consolidated financial statements.

## AUDITORS

PKF Hong Kong Limited will retire and a resolution to re-appoint PKF Hong Kong Limited as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

**Kan Che Kin, Billy Albert**

*Chairman*

Hong Kong  
29 March 2018

# Environmental, Social and Governance Report

The board of directors of the Company is pleased to present its environmental, social and governance report for the year. This report provides latest situation on internal environmental, social and governance performance of the Group for the year ended 31 December 2017. The preparation of this report is in compliance with the relevant requirements under environmental, social and governance reporting guidelines set out in Appendix 27 to the Listing Rules of Hong Kong Stock Exchange.

This report consists of four parts describing the Group's value of operation, working environment, environmental protection, and social participation.

## I. VALUE OF OPERATION

### 1. Supply chain management

The Group regulates the management of suppliers by exercising strict credit controls and implementing a transparent procurement process by open tender. The selection of suppliers is subject to the following process:

- (1) Nominated suppliers are subjected to a screening process in which their experience, technical expertise and capacity are scrutinised. Those who are accepted are included in a list of qualified suppliers.
- (2) When procuring equipment, the Group employs a combined method of quotation and open bidding based on the purchasing price. As for regular equipment in relatively smaller amounts, the Group selects and compares three qualified suppliers from the list, and makes its decision after considering factors such as supply terms and transportation. As for irregular equipment in relatively larger amounts, the Group invites tenders for procurement, forms a tender evaluation team of merchants and technicians from our Company and others involved in the project, and then selects the supplier after qualification assessment and tender evaluation.

### 2. Product responsibility

In 2017, natural gas consumption in the PRC amounted to 240.73 billion cubic metres, which reflected both a steady proportional increase within the primary consumption structure and a lack of fundamental natural gas facilities. Compared to developed countries in Europe and the Americas, the sufficiency level of natural gas pipelines and underground gas storage tanks in the PRC lags far behind. More than 20% prefecture-level and approximately 30% county-level administrative units across the PRC lack gas pipelines, presenting the Group with an obvious business development opportunity.

The Group provides clean natural gas to all end-user types, urban and rural, in sectors ranging from industrial, civil and commercial to vehicle and marine. It strives to meet these users' demand for natural gas at all times.

Industrial users are the major customers of our point-to-point supply business. Upon the installation of point-to-point supply equipment, the Group's products need to undergo a pre-cooling procedure in storage tanks, debugging and trial operation before commercial operation, during which the Group guarantees to provide gas supply to customers for a term of 5-10 years in accordance with contracts.

The Group provides finance lease services to users mainly for LNG vehicles, vessels and equipment. The Group charges a low rate for these services, coupled with flexible and customised solutions. The requirements and terms of our financing services are more lenient and favourable than those offered by banks and our peers.

Comprehensive after-sale services are provided to LNG end users. Through our "Green Engine" platform ("Green Engine"), we gather natural gas vehicle and vessel end users. With the card issued by China Construction Bank specifically for Green Engine, loyalty of end users and users of Green Engine has been enhanced, which has improved the cohesion with Green Engine. By virtue of a massive number of customers, the Group gains additional bargaining power over gas suppliers, insurance companies and vehicle and vessel manufacturers. Part of the gain from preferential pricing will be rewarded to our members, which will further inspire members' loyalty.

# Environmental, Social and Governance Report

Meanwhile, the Group also provides a series of quality services, including vehicles monitoring and vehicles sales, and launched Green Engine mobile application, a comprehensive mobile platform for the utilisation and service of LNG.

## 3. Anti-corruption

The Group has been actively working on the establishment of punitive and preventive measures against corruption. It set up a long-term effective system by firstly establishing inspection and supervisory team, building system and developing work force.

The Group always attaches importance to the establishment of a system advocating anti-corruption and promoting moral cleanliness. On the foundation of 9 issued directives, namely “Anti-commercial Bribery Management System for the Company’s Leadership”, “Anti-commercial Bribery Management System for Procurement Personnel and Sales Personnel”, “Anti-commercial Bribery Management System for Sales and Purchase of Invoice”, “Anti-commercial Bribery Management System for Sales and Purchase Funding”, “Anti-commercial Bribery Management System for Accountants and Cashiers”, “Regular Examination System for Anti-commercial Bribery”, “Whistleblowing and Registration Management System for Anti-commercial Bribery”, “Social Assessment Management System for Anti-commercial Bribery”, “Accountability System for Anticommercial Bribery” and “Information Management System for Anticommercial Bribery”, we further standardised our operational management.

The Group has brought the construction of a clear and honest Party and anti-corruption into the general layout of enterprise reformation and development. It has been actively participating in interaction and collaboration among inspection and supervisory, judiciary, administration and law enforcement and state-owned system, which enabled the major responsibilities in constructing and supervising a clear and honest Party to be fulfilled efficiently, and the establishment of supervisory team under various functions such as discipline inspection, supervision and audit to be further optimised. The goal is to establish a supervision mechanism in which the disciplinary committee plays a leading role with concerted efforts from the compliance department, audit department, the board of supervisors, and other departments of relevant functions, further perfecting the corporate supervision system with an organic integration of anti-corruption and business management.

## II. WORKING ENVIRONMENT

### 1. Corporate environment

The Group adheres to its “people-oriented” principle of development, which emphasises on staff management, and has established various systems, including the “Staff Management System”. It endeavours to create better working environment for its staff, and at the same time reduces exposure to labour employment risks, as well as effectively eliminates the use of child and forced labour.

The Group is implementing the five-day week and eight-hour day working arrangement. All staff members enjoy all holidays set by the State and local governments and are entitled to paid leaves ranging from 5 to 15 days depending on their years of service. Employees of the Group are entitled to “5 Insurances and Housing Fund” and other benefits. The Group has also provided commercial health insurance and accident insurance to provide better assurance to our employees.

The Group is implementing a master budget management regarding staff remuneration, which constitutes a performance-based reward system that can effectively motivate the staff to make positive contribution to the Group. An incentive scheme linking the remuneration of the management to the Group’s performance is established which forms a floating mechanism for the remuneration of the management.

The Group places high importance on the career development of its staff and provides sufficient room for development. Staff can seek development in two ways: promotion to management positions or transfer to technical positions through enrichment of professional expertise.

# Environmental, Social and Governance Report

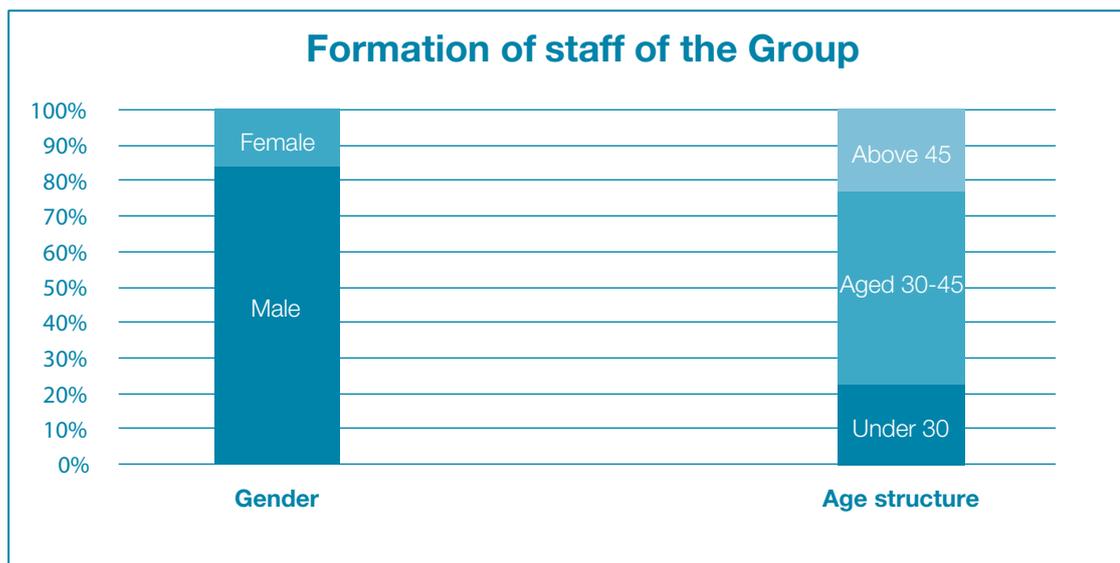
As of December 2017, the Group had a total workforce of 682 employees. The formation of our staff was as follow:

**Table 1 – Staff of the Group (By duty and education background)**

By duty	Number of staff	By education background	
		By education background	Number of staff
Senior management	20	Master degree	21
Corporate management	128	Bachelor degree	181
Professional technicians	17	Tertiary (non-degree)	171
General staff	517	Below tertiary	309

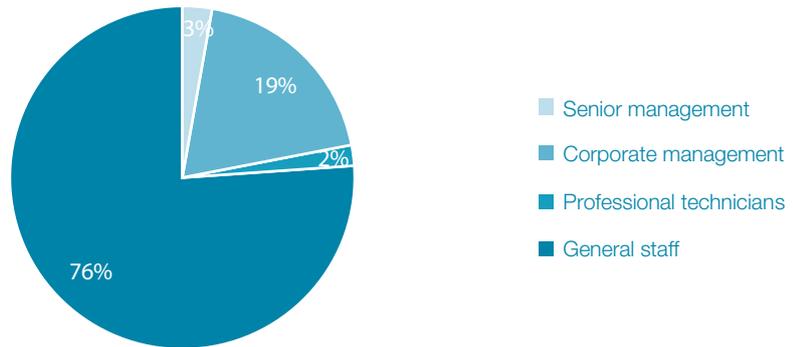
**Table 2 – Staff of the Group (By gender and age)**

Items	By gender		By age		
	Male	Female	Under 30	Aged 30-45	Above 45
Number of staff	570	112	155	371	156
Staff turnover	177	34	60	114	37

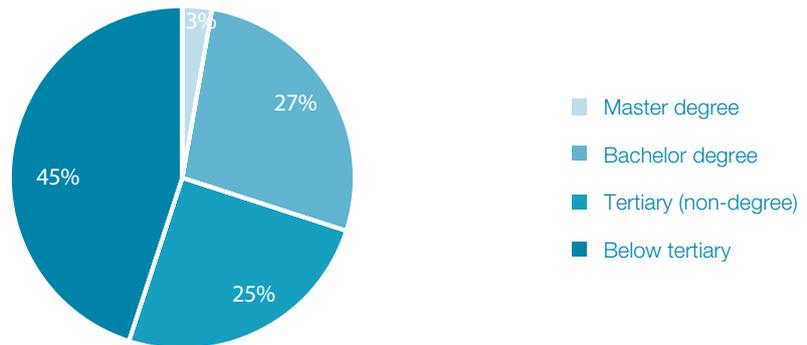


# Environmental, Social and Governance Report

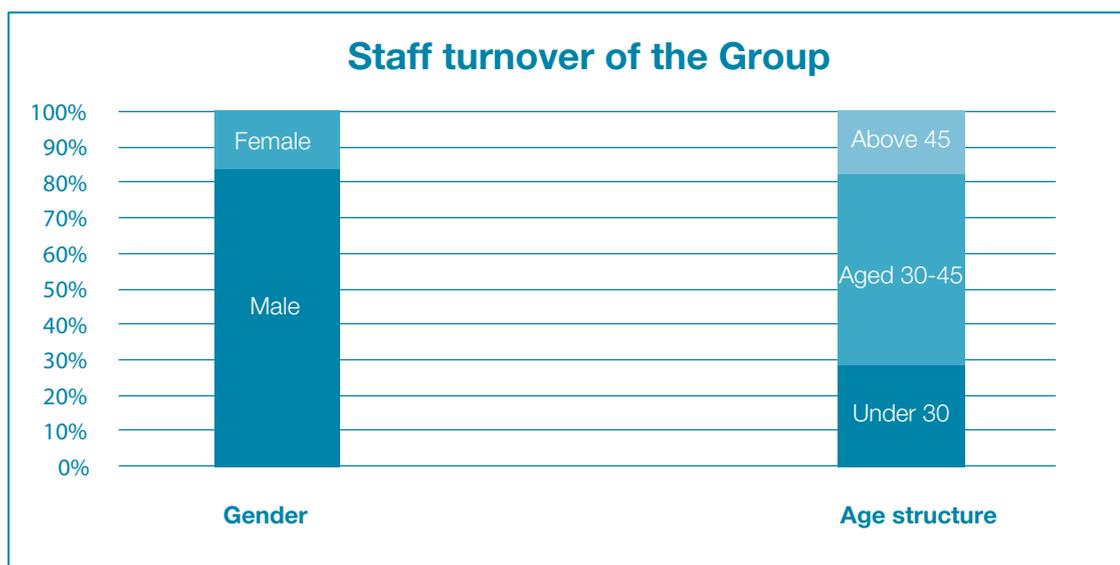
## Staff of the Group (By duty)



## Staff of the Group (By education background)



# Environmental, Social and Governance Report



## 2. Staff health and safety

The Group attaches great importance to the health and safety of our staff members. Each subsidiary has set up a regulatory system for production safety and occupational disease prevention and control. Specific department is assigned to oversee production safety, striving to create a safe working environment for the Group's staff members and keep them out of occupational health hazards.

The Group insists on the policy of "placing safety on top priority, taking precaution as the main task and providing comprehensive treatment", we continue to emphasise major responsibilities in ensuring production safety. Promotion, education and training on production safety were conducted extensively. New staff will receive safety education upon joining our Group. We continued to work on meeting the targets of standardisation of production safety. Large-scale inspections on production safety are performed regularly to eliminate any potential hazards in a timely manner. Generally, the Group arranges regular medical checkups for staff members once every year. These measures have enhanced our level of occupational health and safety and environmental management.

In 2017, no death and serious injury cases in relation to safe production occurred in the Group. We have maintained a stable position regarding production safety. The overall performance for safety and environmental protection was further enhanced.

## 3. Staff development

In 2017, the Group made solid progress in opening up a new landscape of human resources development and management. It has also promoted standardisation, professionalism, marketisation and globalisation of our pool of talents. The basic work of human resources management was enhanced so as to further strengthen the training of human resources. New initiatives adopted for our main tasks were as follows:

- (1) Implemented the talent strategy to further enhance the training of talents and strove to build up a high technology talent team in sufficient quantity with strong technical skills and fine work style.
- (2) Deepened three systematic reforms. In 2017, based on the "fixed position, fixed schedule, fixed staff" scheme, benchmarking other advanced enterprises in the same industry in the PRC and taking into consideration of the performance assessment of all staff, the Group has adopted a dynamic management approach based on the requirements of positions and the annual performance appraisal results progressively in compliance with the laws and regulations.

# Environmental, Social and Governance Report

## 4. Employee care

The Group had a well-established system which strictly executes the national regulations and standards. We also educate our staff to enhance safe production and protect occupational health. With a strict safety operation and management system, the effective implementation of quality and safety standardisation and the occupational health and safety management system has been ensured. Also, during the course of implementation, the Company maintained an employer's liability insurance to protect staff's interests. The Group protects and cares for the health of our female staff, improved the staff's working and living environment and provided body check-ups to staff every year. Also, we provided complementary commercial health insurance and medical support, which relieved much of the staff's burden on medical expense. From time to time, the Group held activities to send its warmth of love to staff on their birthdays.

## III. ENVIRONMENTAL PROTECTION

As a comprehensive regional LNG solutions provider, the Group endeavours to develop retail, trading and transportation businesses in the PRC leveraging on the safety, reliability and cleanliness of LNG as an energy source, while also providing leasing services for LNG vehicles, vessels and equipment. The Company formulates stringent environmental policies to actively perform environmental responsibilities in a range of aspects such as engineering and design, construction and operation.

### 1. Supply of green energy

The Group actively responds to the state's energy structural adjustment policy and continuously supplies green energy to support urban development. Under the state's thirteenth five-year plan and the energy working report dated 24 May 2011 issued by National Energy Administration, related work of LNG vehicle utilisation and "coal-to-gas" conversion are encouraged. The Company has encouraged industrial users to upgrade their boilers and large furnaces, encouraged the vehicle and vessel users to use those vehicles and vessels with natural as fuel and provided complementary gas supply services to all user types, so as to promote energy saving, emission reduction and environment improvement. In the meantime, the Group also actively participated in coal-related works to provide several rural areas and small industrial users with natural gas solutions.

#### 1.1. Typical characteristics of LNG, a clean fuel

Diesel is a traditional fuel while LNG, a clean fuel, has the typical characteristics of low temperature, which is a kind of colorless, odorless and non-toxic natural gas cooled to -162°C under normal gas pressure by condensation and removing impurities. During the LNG formation process, impurities, CO<sub>2</sub>, sulfur, water and acidic materials are filtered, making LNG clean and clear. LNG is stored in double-layer insulated vacuum tank. When heated, the temperature of LNG will rise quickly and the LNG will gasify. Such gas can be burnt and used as the fuel of natural gas engine. The ignition point of LNG is 645°C, which is safer when compared with the ignition point of diesel at 220°C.

#### 1.2 Comparison before and after "coal-to-gas" conversion of boiler or furnace

Items	Product		
	Natural gas (Nm <sup>3</sup> )	Standard coal (kg)	Crude oil (Kg)
Emission of CO <sub>2</sub>	1.885kg	3.6kg	3.1kg
Production of 10,000Kcal. energy	2.26kg	5.14kg	3.37kg

Note: Comparing with coal and oil, carbon emission volume obviously reduces. Comparing with coal, 1Nm<sup>3</sup> natural gas can reduce emission of carbon dioxide by 1.715kg and also deleterious impurities such as sulfur dioxide.

# Environmental, Social and Governance Report

## 1.3 Emission level of pollutants of using LNG vs diesel for vehicles and vessels

The test was conducted under the same operation condition. Two 10-meter-long buses were chosen for the test, one with China III LNG engine and the other with China III diesel engine. In order to get the fuel consumption rate for every 100 kilometers and examine the emission of pollutants, the two vehicles were tested on the same road section. The following table 1 sets out the emission level of pollutants of such two kinds of fuel, namely LNG, the clean fuel, and diesel, the traditional fuel:

**Table 1: Emission level of pollutants of two kinds of fuel**

	YC6G240-30 (China III emission standard diesel engine) (g/kw/h)		YC6G260N-30 (China III emission standard LNG engine) (g/kw/h)		Reduction of emission level of pollutants	
	Standard	Examination result	Standard	Examination result		
CO	2.1	0.78	CO	5.45	0.008	98.97%
HC	0.66	0.18	NMHC	0.78	0.03	83.33%
NOX	5.0	4.33	NOX	5.0	2.99	30.95%
PM	0.1	0.087	PM	0.16	0	Zero emission
Smoke M-1 (M-1 light absorption coefficient)	0.8	0.192	CH4	1.6	1.18	N/A

According to the examination result set out in the above table, the difference of emission level of pollutants between LNG, the clean fuel, and diesel, the traditional fuel, is as follows:

CO drops by 98.97%;

HC and NMHC drop by 83.3%; NOX drops by 30.95%;

Zero emission of PM and zero emission of smoke and dust;

Basically, the emission of LNG does not contain hazardous substances, including lead dust, sulfides and benzene. Clearly, LNG is a cleaner fuel as compared to the traditional fuel diesel.

## 1.4 Environmental-friendly nature of LNG

According to the above pollutant emission test of LNG, the clean fuel, and diesel, the traditional fuel, taking a 10-meter-long vehicle in compliance with Euro III emission standard as an example, the emission level of carbon and other pollutants per kilometer of the one fueled with LNG is 80 grams and 11.6 grams lower than that fueled with diesel, the traditional fuel, respectively. Emission can be reduced by approximately 10 tons, of which carbon and other pollutants account for 8 tons and more than 1 ton respectively, on the basis that a bus travels 100,000 kilometers per year.

In December 2017, the Group's current point-to-point supply of gas was 21,960,354 m<sup>3</sup>, reducing emission of carbon dioxide, sulfur dioxide, smoke and dust, as well as nitrogen oxide by 22,723 tons, 244 tons, 152 tons and 116 tons respectively for LNG users.

# Environmental, Social and Governance Report

The Group's LNG trading volume for the month was 23,256 tons, reducing emission of carbon dioxide, sulfur dioxide, smoke and dust, as well as nitrogen oxide by 46,086 tons, 495 tons, 309 tons and 235 tons respectively for LNG end-users.

As natural gas is an environmental-friendly product, there is no pollution when using natural gas. If any hazardous waste is produced, the Group will dispose of such waste in accordance with the requirements under the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes.

The Group has imposed controlling requirements in respect of environmental protection for member companies: 1. meeting the second-level standard of the prevailing Ambient Air Quality Standards; 2. meeting the IV type standard of the prevailing Environmental Quality Standard for Surface Water; 3. meeting the 2~4 type standard of the prevailing Environmental Noise Standard for Urban Region; 4. Meeting the third-level standard of Discharge Limits of Water Pollutants of the PRC.

## 2. Prevention of construction pollution

Before construction, the Company prepares the planning for gas stations and pipelines with the local government, and makes adjustment from time to time based on actual needs. We try to consolidate different functionalities in a gas station as far as possible so as to save the land resources. For high pressure pipelines, we conduct hydrogeological survey and pipeline routing optimization in advance, as well as other preliminary preparation, including geo-hazard assessment, environment assessment, of soil and water conservation resolution. Also, we test and monitor the dust, noise, and solid waste in the construction site to minimize the harmful effect to local natural environment. During construction, the Company takes various effective measures, including cleaning the tyres of construction vehicles, centralizing the disposal of waste water and mud generating from the construction, applying sound absorbing and insulation technique, in order to avoid air, water and noise pollutions during the construction and minimise the harmful effect to the nearby natural environment.

## 3. Effective use of resources, e.g. water and electricity

Point-to-point LNG supply project invested by the Group is a more mature technology. Storage tanks and carburetors are supplied by first-tier brands in the PRC, adopting connections by steel pipelines, sealed with 304 stainless steel metal washers at the joints to ensure no gas leakage. During the process of gas supply, as it involves only physical change of LNG from liquid state to gas state, no pollutant is created and no natural resources, such as water and electricity, is used. Only a low-power-consuming meter, equipment for monitoring the operation of the plant and equipment, is needed for data transfer purpose.

## 4. Promoting environmental protection activities

Each project company of the Group actively organised numerous types of environmental friendly activities such as tree plantation and cycling to promote the concept of environmental protection. The Group invited all staff and customers to support its environmental protection initiatives through various activities such as green planting, paperless office and low carbon travel.

# Environmental, Social and Governance Report

## IV. SOCIAL PARTICIPATION

### 1. Responsibility management

The Group adheres to the principle of actively assuming corporate responsibility to enhance corporate responsibility awareness, perform its own social responsibilities and disclose relevant information to the public. The Group endeavours to achieve its goal of “Tackling smog, Improving the environment”:

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

Over the short period of 2 years since the commencement of LNG businesses, we actively responded to the state’s environmental protection policy, promoted the highly effective utilisation of natural gas and development of environmental protection business, gradually deployed LNG utilisation in every province and city for industrial corporate users and provided perfect supply chain system, which formed a circulated and healthy clean energy industry, greatly reduced emission level of pollutants, fulfilled corporate social responsibility and created a sound corporate image in society. The Group adhered to its concept of “Tackling with smog, Improving environment” and suggested guidelines to promote the development of clean energy and environmental protection business in the PRC.

#### (2) Participating in the establishment of public association and platform

The Group established a fundamental platform for the communication with stakeholders, which improved public image and presence of the corporation. The Group maintained prompt communication with stakeholders, through issuing documents such as “Environmental, Social and Governance Report” and timely disclosure of important information, to accomplish its social responsibilities to stakeholders, (such as shareholders, employees, users, media and the community) and natural environment. The above effort showed dedication of the Group to “Tackling with smog, Improving environment”.

### 2. Community activities

- (1) On 19 May 2017, the Company successfully held an international forum of “Promotion of Application of LNG and Sustainable Development” in Beijing;
- (2) On 1 November 2017, the Company participated in the southern China conference of “China’s Distributed Energy Outlook” in Shenzhen.

# Independent Auditor's Report



26/F, Citicorp Centre  
18 Whitfield Road  
Causeway Bay  
Hong Kong

## **TO THE SHAREHOLDERS OF CHINA LNG GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

### **OPINION**

We have audited the consolidated financial statements of China LNG Group Limited (the “Company”) and its subsidiaries (together “the Group”) set out on pages 46 to 119, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the Group’s financial position as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR OPINION**

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

### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined to communicate in our report the following key audit matters for the year ended 31 December 2017.

# Independent Auditor's Report

## Business combination

We identified the accounting for acquisition of subsidiaries as a key audit matter due to the significant degree of judgement by the management of the Group in accordance with HKFRS 3 “Business Combinations” (“HKFRS 3”). As disclosed in note 37 to the consolidated financial statements in relation to the completed acquisition of subsidiaries during the year ended 31 December 2017, in application of HKFRS 3, the management applied significant judgements in assessing the acquisition-date fair values of the identifiable assets and liabilities acquired, including the estimates adopted in calculating the fair value of the identifiable assets and the liabilities assumed. The accounting policy for business combination is disclosed in note 3 to the consolidated financial statements.

Our procedures in relation to assessing the appropriateness of the accounting for the acquisition of subsidiaries included:

- Obtaining an understanding of how the management accounted for the acquisition of subsidiaries under HKFRS 3;
- Discussing with the management the key estimates adopted by the management in assessing the acquisition-date fair values of the identifiable assets and liabilities acquired;
- Evaluating the appropriateness of the method of valuation and assumptions made by the management;
- Evaluating the valuation techniques and reasonableness of the significant inputs, on a sampling basis, used by the management in relation to calculate the acquisition-date fair values of the identifiable assets and liabilities acquired in business combination to assess the reasonableness of the judgements and estimations; and
- Evaluating the recognition and measurement criteria used and disclosure made by the management.

## Impairment of goodwill

We identified the impairment assessment of goodwill arising on acquisition of businesses through business combinations as a key audit matter due to the involvement of significant judgements and assumptions made by the management of the Group in the performance of this assessment. As disclosed in notes 4 and 18 to the consolidated financial statements, determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (“CGUs”) to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. The estimation uncertainty mainly included gross profit margin, discount rate and growth rate. The carrying amount of goodwill as at 31 December 2017 is HK\$9,161,000 and for the purpose of impairment testing, as disclosed in note 18 to the consolidated financial statements, goodwill has been solely allocated to the CGU of sales and distribution of LNG. The management of the Group assessed that there is no significant impairment of goodwill.

Our procedures in relation to the impairment assessment of goodwill included:

- Obtaining an understanding of the basis adopted in the value in use calculations prepared by the management;
- Assessing the reasonableness of the key assumptions made by the management, including growth rates, gross profit margin and expected capital expenditure with reference to current market circumstances;
- Evaluating the reasonableness of the financial budgets approved by the management and the cash flow projections by comparing with the industry or market data and the Group's business plan;
- Evaluating the appropriateness of discount rate applied in the forecast by comparing them to industry and market data; and
- Checking the sensitivity analysis performed by management in respect of the growth rates and discount rates to evaluate the extent of impact on the calculations of the value in use.

# Independent Auditor's Report

## **Impairment of receivables under LNG finance lease arrangements, LNG finance lease receivables and loan receivables**

We identified the impairment of receivables under LNG finance lease arrangements, LNG finance lease receivables and loan receivables as a key audit matter due to the significance of balances to the consolidated financial statements as a whole, combined with the significant degree of judgement and estimation made by the management. As disclosed in note 4 to the consolidated financial statements, the management determined the carrying amount of these receivables, the estimation of future cash flows expected to arise from the settlement of the receivables and fair value of the pledged assets less cost to sell. As disclosed in notes 22, 23 and 25 to the consolidated financial statements, the carrying amount of receivables under LNG finance lease arrangements, LNG finance lease receivables and loan receivables as at 31 December 2017 are HK\$84,308,000, HK\$93,370,000 and HK\$168,774,000 respectively. The management of the Group assessed that there is no significant impairment of these receivables.

Our procedures in relation to the management's impairment assessment of receivables under LNG finance lease arrangements, LNG finance lease receivables and loan receivables included:

- Obtaining an understanding of how the management assessed the recoverability of these receivables;
- Evaluating management's assumptions used to calculate the impairment amount of these receivables by checking the ageing of receivables and assessing significantly overdue individual receivables balances;
- Sending receivables confirmations, checking historical payments and bank advices for the settlement of receivables subsequent to the year end on a sampling basis;
- Checking, on a sampling basis, the existence and accuracy of the receivables amount of the collaterals, to supporting documents and with reference to closing market prices;
- Checking documents including correspondences supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available; and
- Assessing where there was evidence of management bias on impairment assessment of receivables by considering the consistency of judgement made by the management through discussion with the management to understand their rationale.

## **OTHER INFORMATION**

The directors are responsible for the other information which comprises the information included in the Group's annual report for the year ended 31 December 2017 ("Annual Report") other than the consolidated financial statements and our auditor's report thereon.

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

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

# Independent Auditor's Report

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

# Independent Auditor's Report

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

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

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

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

The engagement director on the audit resulting in this independent auditor's report is Lam Kar Bo (Practising Certificate Number: P05453).

## **PKF Hong Kong Limited**

*Certified Public Accountants*

Hong Kong

29 March 2018

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>Continuing operations</b>			
Revenue	6	<b>896,952</b>	199,571
Cost of sales		<b>(899,294)</b>	(14,036)
Gross (loss)/profit		<b>(2,342)</b>	185,535
Other income and gains	8	<b>6,448</b>	12,863
Share of results of associates	20	<b>(1,581)</b>	32,968
Selling and distribution expenses		<b>(26,089)</b>	(20,422)
Administrative expenses		<b>(111,827)</b>	(57,310)
Finance costs	9	<b>(284)</b>	–
(Loss)/profit before taxation	11	<b>(135,675)</b>	153,634
Taxation	12	<b>(16,935)</b>	(2,199)
(Loss)/profit for the year from continuing operations		<b>(152,610)</b>	151,435
<b>Discontinued operation</b>			
Profit for the year from discontinued operation	14	<b>543</b>	1,374
(Loss)/profit for the year		<b>(152,067)</b>	152,809
Attributable to:–			
Equity shareholders of the Company		<b>(123,729)</b>	92,023
Non-controlling interests		<b>(28,338)</b>	60,786
(Loss)/profit for the year		<b>(152,067)</b>	152,809
(Loss)/earnings per share (HK cents)	15		(Restated)
From continuing and discontinued operations			
– Basic		<b>(2.195)</b>	1.632
– Diluted		<b>(2.195)</b>	1.632
From continuing operations			
– Basic		<b>(2.205)</b>	1.608
– Diluted		<b>(2.205)</b>	1.608
From discontinued operation			
– Basic		<b>0.010</b>	0.024
– Diluted		<b>0.010</b>	0.024

Detail of dividends paid or payable to equity shareholders of the Company are set out in note 13 to the consolidated financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 HK\$'000	2016 HK\$'000
(Loss)/profit for the year	<b>(152,067)</b>	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	<b>48,353</b>	(32,730)
Total comprehensive (loss)/income for the year	<b>(103,714)</b>	120,079
Total comprehensive (loss)/income for the year attributable to:– Equity shareholders of the Company	<b>(63,584)</b>	61,950
Non-controlling interests	<b>(40,130)</b>	58,129
	<b>(103,714)</b>	120,079

# Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>Non-current assets</b>			
Investment properties	16	–	66,000
Plant and equipment	17	261,086	34,930
Goodwill	18	9,161	8,493
Other intangible assets	19	2,794	2,233
Interest in associates	20	13,676	–
Deposit for acquisition of plant and equipment		63,344	35,650
Deposit for acquisition of a subsidiary and associates	21	–	9,724
Receivables under LNG finance lease arrangements	22	31,262	56,551
LNG finance lease receivables	23	25,082	60,088
Statutory deposits		250	250
Deferred tax asset	30	–	10
		<b>406,655</b>	<b>273,929</b>
<b>Current assets</b>			
Inventories	24	34,615	2,626
Receivables under LNG finance lease arrangements	22	53,046	48,307
LNG finance lease receivables	23	68,288	83,953
Loan receivables	25	168,774	209,808
Accounts and other receivables	26	429,498	163,224
Financial assets at fair value through profit or loss	27	18,911	183,024
Bank balances and cash	28	408,373	662,491
		<b>1,181,505</b>	<b>1,353,433</b>
<b>Current liabilities</b>			
Accounts and other payables	29	338,555	232,518
Income tax payable		5,191	12,178
		<b>343,746</b>	<b>244,696</b>
<b>Net current assets</b>			
		<b>837,759</b>	<b>1,108,737</b>
<b>Total assets less current liabilities</b>			
		<b>1,244,414</b>	<b>1,382,666</b>
<b>Non-current liability</b>			
Deferred tax liability	30	–	388
<b>Net assets</b>			
		<b>1,244,414</b>	<b>1,382,278</b>
<b>Capital and reserves</b>			
Share capital	31(a)	112,322	112,774
Reserves		649,816	741,267
		<b>762,138</b>	<b>854,041</b>
<b>Non-controlling interests</b>			
		<b>482,276</b>	<b>528,237</b>
<b>Total equity</b>			
		<b>1,244,414</b>	<b>1,382,278</b>

The consolidated financial statements set out on pages 46 to 119 were approved and authorised for issue by the Board of Directors on 29 March 2018 and are signed on its behalf by:–

**Kan Che Kin, Billy Albert**  
Director

**Li Kai Yien, Arthur Albert**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to equity shareholders of the Company					Total	Non-controlling interests	Total
	Share capital	Share premium	Special reserve	Exchange reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016	112,770	483,856	9,370	(23,441)	265,359	847,914	(43)	847,871
Dividend declared and paid (note 13)	-	(56,385)	-	-	-	(56,385)	-	(56,385)
Shares issued in lieu of dividend (note 31(a))	4	558	-	-	-	562	-	562
Non-controlling interest arising from business combination	-	-	-	-	-	-	467,346	467,346
Capital contribution from non-controlling interest	-	-	-	-	-	-	2,805	2,805
Profit for the year	-	-	-	-	92,023	92,023	60,786	152,809
Other comprehensive loss for the year, net of tax:-								
Exchange differences on translating foreign operations	-	-	-	(30,073)	-	(30,073)	(2,657)	(32,730)
Total comprehensive income for the year	-	-	-	(30,073)	92,023	61,950	58,129	120,079
At 31 December 2016 and 1 January 2017	112,774	428,029	9,370	(53,514)	357,382	854,041	528,237	1,382,278
Shares repurchased and cancelled (note 31(a))	(452)	(26,750)	-	-	-	(27,202)	-	(27,202)
Non-controlling interest arising from business combination	-	-	-	-	-	-	3,110	3,110
Acquisition of additional interest in a subsidiary	-	-	-	-	(237)	(237)	237	-
Change in ownership interest in subsidiaries without loss of control	-	-	-	-	(880)	(880)	880	-
Dividend paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	(26,043)	(26,043)
Capital contribution from non-controlling interest	-	-	-	-	-	-	15,985	15,985
Loss for the year	-	-	-	-	(123,729)	(123,729)	(28,338)	(152,067)
Other comprehensive income/(loss) for the year, net of tax:-								
Exchange differences on translating foreign operations	-	-	-	60,145	-	60,145	(11,792)	48,353
Total comprehensive loss for the year	-	-	-	60,145	(123,729)	(63,584)	(40,130)	(103,714)
<b>At 31 December 2017</b>	<b>112,322</b>	<b>401,279</b>	<b>9,370</b>	<b>6,631</b>	<b>232,536</b>	<b>762,138</b>	<b>482,276</b>	<b>1,244,414</b>

The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the group reorganisation.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>OPERATING ACTIVITIES</b>			
(Loss)/profit before taxation			
– continuing operations		<b>(135,675)</b>	153,634
– discontinued operation		<b>543</b>	1,507
		<b>(135,132)</b>	155,141
Adjustments for:–			
Gain on disposal of subsidiaries		<b>(514)</b>	–
Gain on bargain purchase from business combination		–	(4)
Gain on disposal of financial assets at fair value through profit or loss		–	(346)
Gain on bargain purchase of financial assets at fair value through profit or loss		–	(275,625)
Loss on fair value changes of financial assets at fair value through profit or loss		–	129,456
(Gain)/loss on disposal of plant and equipment		<b>(224)</b>	445
Interest income on bank deposits		<b>(1,490)</b>	(5,140)
Interest income from loans to third parties		<b>(475)</b>	(101)
Interest expense		<b>284</b>	–
Share of results of associates		<b>1,581</b>	(32,968)
Valuation gains on investment properties		–	(700)
Depreciation		<b>14,842</b>	4,777
Amortisation		<b>259</b>	–
Operating cash flows before movements in working capital		<b>(120,869)</b>	(25,065)
Increase in inventories		<b>(30,476)</b>	(2,744)
Decrease/(increase) in financial assets at fair value through profit or loss		<b>183,024</b>	(33,919)
Decrease/(increase) in receivables under LNG finance lease arrangements		<b>30,274</b>	(9,399)
Decrease/(increase) in LNG finance lease receivables		<b>59,883</b>	(71,986)
Decrease in loan receivables		<b>41,034</b>	74,368
Increase in accounts and other receivables		<b>(238,036)</b>	(126,016)
Increase in accounts and other payables		<b>81,989</b>	117,444
Cash from/(used in) operations		<b>6,823</b>	(77,317)
Income tax paid		<b>(23,948)</b>	(5)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(17,125)</b>	(77,322)
<b>INVESTING ACTIVITIES</b>			
Deposit paid for acquisition of plant and equipment		<b>(61,350)</b>	(15,818)
Purchase of plant and equipment		<b>(183,659)</b>	(20,075)
Proceeds from disposal of plant and equipment		<b>1,047</b>	20
Capital injection into an associate		<b>(4,698)</b>	–
Deposit paid for acquisition of a subsidiary and associates		–	(10,178)
Net cash (outflow)/inflow arising from acquisition of subsidiaries	37, 38	<b>(443)</b>	813,784
Net cash inflow arising on disposal of subsidiaries	39	<b>66,064</b>	–
Purchase of financial assets at fair value through profit or loss		<b>(18,316)</b>	(160,086)
Proceeds from disposal of financial assets at fair value through profit or loss		–	230,542
Interest received		<b>1,858</b>	5,184
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>		<b>(199,497)</b>	843,373

# Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK\$'000	2016 HK\$'000
<b>FINANCING ACTIVITIES</b>			
Repurchase of own shares		<b>(27,202)</b>	–
Loan from a shareholder		<b>30,000</b>	–
Repayment to a shareholder		<b>(38,015)</b>	(211,985)
Capital contribution from non-controlling interests		<b>15,985</b>	2,805
Dividend paid		–	(55,823)
Dividend paid to non-controlling shareholders of a subsidiary		<b>(26,043)</b>	–
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(45,275)</b>	(265,003)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(261,897)</b>	501,048
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET</b>		<b>7,779</b>	(8,568)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>662,491</b>	170,011
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH</b>		<b>408,373</b>	662,491

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 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 are disclosed in the corporate information of the annual report.

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, 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 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. The Group has provided the information in note 33 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 2. BASIS OF PREPARATION (continued)

### (c) HKFRSs in issue but not yet effective

The following new and revised HKFRSs in issue at 31 December 2017 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2017:–

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Annual Improvements to HKFRSs (2014-2016)	Amendments to HKFRS 1 and HKAS 28 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

The Group's assessment of the impact of these new standards, amendments to standards and interpretations is set out below.

#### HKFRS 9 “Financial Instruments”

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group does not expect the new guidance to have significant impact on the classification and measurement of its financial assets as the Group does not have:

- Debt instruments that are classified as available-for-sale financial assets;
- Debt instruments classified as held-to-maturity and measured at amortised cost;
- Equity investment measured at fair value through profit or loss.

The Group has reviewed its financial assets and liabilities and expects that HKFRS 9 has no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 2. BASIS OF PREPARATION (continued)

### (c) HKFRSs in issue but not yet effective (continued)

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, lease receivables, loan receivables and accounts receivables. Based on the assessments undertaken to-date, the Group does not expect material change to the loss allowance for trade debtors and borrowers.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

### HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 supersedes the revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 2. BASIS OF PREPARATION (continued)

### (c) HKFRSs in issue but not yet effective (continued)

#### HKFRS 16 “Leases”

HKFRS 16 was issued in January 2016. It results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases for lease accounting is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change. The standard affects primarily the accounting for the Group’s operating leases as a lessee. As at 31 December 2017, the Group had non-cancellable operating lease commitments of HK\$20,854,000 (Note 34) and those related to payments for short-term and low value lease which will be recognised on straight-line basis as an expense in profit or loss are estimated to be insignificant.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-to-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group’s profit or loss and classification of cash flows going forward.

The adoption of this standard is mandatory for financial years commencing on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Save as discussed above, all other new standards, amendments to standards and interpretations issued but not yet effective are not likely to have significant impact on the Group’s consolidated financial statements.

### (d) 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 have decreased the depreciation charge for the current year by approximately HK\$2,577,000.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Measurement basis

The consolidated financial statements are prepared using the historical cost basis as modified by the revaluation of financial assets at fair value through profit or loss and investment properties.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All inter-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

### Business combination and goodwill

Business combination is accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group from the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business combination and goodwill (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability is recognised in accordance with HKFRS 13 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is included in a disposal group that is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Associates (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

### Revenue recognition

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

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

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

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

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

Service fee income is recognised when services have been rendered.

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the terms of the relevant leases.

#### The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

### Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in fair value of investment property are included in profit or loss for the period in which they arise.

Land held under operating leases is classified and accounted for as investment property when the rest definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in profit or loss during the financial period in which they are incurred.

### Plant and equipment

Plant and equipment, apart from construction-in-progress ("CIP"), stated at cost less accumulated depreciation and impairment losses. Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

CIP represents plant and machinery under construction and is stated at cost. Cost includes costs of construction of plant and machinery and other direct costs. No provision for depreciation is made on CIP until the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to the relevant asset categories and depreciated in accordance with the policy.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets (Other than goodwill)

#### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

#### Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

#### Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the year in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

### Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when the group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

### Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss include financial assets held for trading. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Financial assets at fair value through profit or loss (continued)

At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables, including deposits and bank balances, are carried at amortised cost using the effective interest rate method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company comprise share capital and convertible notes reserve.

The Group's financial liabilities, including accounts payable, accrued charges and other payables, are generally classified as other financial liabilities. Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

#### Offsetting financial instruments

Financial assets and financial liabilities are separately presented in the consolidated statement of financial position without any offsetting, except when:

- (i) the Group has a legally enforceable right to offset the recognised amounts; and
- (ii) the Group has intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### Derivative financial instrument

Derivative financial instrument is recognised initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged. For derivative financial assets that are linked to unquoted equity instruments, which do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and must be settled by delivery of such unquoted equity instruments, it is carried at cost less impairment.

#### Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash on hand.

#### Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

#### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's statement of financial position when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

#### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or directly in equity, respectively.

### Employee benefits

#### (i) Retirement benefits schemes

The retirement benefits costs charged to profit or loss represent the contributions payable in respect of the current year to the Group's defined contribution retirement benefits schemes for its employees.

#### (ii) Termination benefits

Termination benefits are recognised when and only when the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic probability of withdrawal.

### Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operation, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

### Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:-
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:-
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENT

In the process of applying the Group's accounting policies which are described in note 3 to the consolidated financial statements, management has made the following estimation uncertainty and judgement that has most significant effect on the amounts recognised in the consolidated financial statements.

### **Impairment of plant and equipment and goodwill**

Determining whether plant and equipment and goodwill are impaired requires an estimation of value in use of the cash generating units to which the plant and equipment and goodwill have been allocated. The calculation of value in use requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. When the actual future cash flows are less than expected, a material impairment loss may arise.

### **Depreciation of plant and equipment and amortisation of other intangible assets**

Plant and equipment are depreciated and intangible assets are amortised on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group assesses annually the residual value and the useful life of the plant and equipment and other intangible assets and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges and amortisation of the year in which the estimates change.

### **Impairment of receivables under LNG finance lease arrangements, LNG finance lease receivables and loan receivables**

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows expected to arise from the settlement of the receivables and fair value of the pledged assets less cost to sell. The amount of the impairment loss is measured as the difference between the asset's carrying amount and higher of the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition) and the fair value of the pledged assets less cost to sell. The fair value of the pledged assets is determined with reference to the relevant market information or valuation result performed by independent valuer. Where the actual future cash flows or the net selling price of the pledged assets are less than expected, a material impairment loss may arise.

During the years ended 31 December 2017 and 2016, no impairment loss has been recognised for receivables under LNG finance lease arrangements, LNG finance lease receivables and loan receivables. At 31 December 2017, the carrying amounts of receivables under LNG finance lease arrangements, LNG finance lease receivables and loan receivables were approximately HK\$84,308,000 (2016: HK\$104,858,000), approximately HK\$93,370,000 (2016: HK\$144,041,000) and approximately HK\$168,774,000 (2016: HK\$209,808,000) respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENT (continued)

### Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management establishes the appropriate valuation techniques and inputs for fair value measurement.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 5 and 27 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

### Impairment of accounts and other receivables

The Group estimates the impairment allowances for accounts and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to accounts and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

### Income tax

At 31 December 2017, no deferred tax assets had been recognised in respect of net temporary difference arising from tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK\$499,672,000 (2016: HK\$499,613,000), tax losses accumulated in the PRC subsidiaries of the Company amounted to approximately HK\$129,321,000 (2016: HK\$49,259,000) due to the unpredictability of future taxable profit streams. No deferred tax liabilities had been recognised in respect of temporary difference arising on accelerated tax allowances of approximately HK\$5,445,000 (2016: HK\$5,484,000) since the effect is insignificant. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in future. In case where the actual future profit generated is more than expected, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition takes place.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 5. FINANCIAL RISK MANAGEMENT

### (a) Nature and extent of financial instrument risks

#### Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group manages credit risk by setting up credit control policy and periodic evaluation of credit performance of other parties, measured by the extent of past due or default and their financial healthiness.

At 31 December 2017, the Group's maximum exposure to credit risk arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Before accepting any new borrowers, the Group would assess the credit quality of each potential borrower and define limits for each borrower. The Group also demands certain borrowers to place security deposits and/or pledge assets with the Group at the time the agreement is entered into. In addition, the Group would also review the repayment history of payments from each borrower with reference to the repayment schedule from the date of principal amount was initially granted up to the reporting date to determine the recoverability of a receivable. Furthermore, the Group would assess and review the fair value of the pledged assets continuously to ensure the value of the relevant collateral could well cover the amount granted to the customers and any outstanding receivables.

The Group's credit risk arising from Hong Kong and Mainland China, which accounted for 46% (2016: 51%) and 54% (2016: 49%) respectively of the aggregate receivables in respect of receivables under LNG finance lease arrangements, LNG finance lease receivables, accounts receivables and loan receivables as at 31 December 2017.

The Group has concentration of credit risk from its five largest customers. These customers are from (i) money lending business; (ii) finance lease business; and (iii) securities brokerage business, whose receivables represent (i) 36% (2016: 39%); (ii) 8% (2016: 5%) and (iii) 6% (2016: 4%) of the aggregate receivables in respect of receivables under LNG finance lease arrangements, LNG finance lease receivables, accounts receivables and loan receivables.

The concentration of credit risk arising from the Group's largest customer was derived from money lending business, whose receivable represents 23% (2016: 18%) of the aggregate receivables in respect of receivables under LNG finance lease arrangements, LNG finance lease receivables, accounts receivables and loan receivables.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 5. FINANCIAL RISK MANAGEMENT (continued)

### (a) Nature and extent of financial instrument risks (continued)

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the debt-to-equity capital ratio as mentioned in note 31(b) to the consolidated financial statements.

The maturity profile of the Group's financial liabilities at 31 December 2017, based on contractual undiscounted cash flows, is as follows:–

	2017 HK\$'000	2016 HK\$'000
Accounts and other payables, due for payment within one year or on demand	<b>254,055</b>	224,840

#### Market risk

##### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group considers hedging significant currency risk should the need arise.

Carrying amounts of financial instruments of the Group at 31 December 2017 exposed to currency risk were as follows:–

	2017 HK\$'000	2016 HK\$'000
Accounts receivable	–	42
Cash and bank balances	<b>9,140</b>	74,465
	<b>9,140</b>	74,507

The Group's financial instruments exposed to currency risk were primarily denominated in the following currencies:–

	2017 HK\$'000	2016 HK\$'000
United States dollars	<b>9,085</b>	74,451
Renminbi	<b>55</b>	56
	<b>9,140</b>	74,507

The Group's operation in Hong Kong and the PRC is exposed to foreign currency translation risk arising from Renminbi. At present, the Group does not intend to seek to hedge its exposure to foreign exchange risk profile as the exposure to Renminbi is minimal.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 5. FINANCIAL RISK MANAGEMENT (continued)

### (a) Nature and extent of financial instrument risks (continued)

#### Market risk (continued)

#### Currency risk (continued)

Since Hong Kong dollars is pegged to United States dollars, impact on material fluctuations in the exchange rate of Hong Kong dollars against United States dollars is remote.

It is estimated that a fluctuation of 5% in foreign exchange rates with all other variables held constant would not have a material impact on the Group's loss (2016: profit) for the year ended 31 December 2017, and retained profits as at the end of the reporting period.

#### Interest rate risk

The Group's interest rate risk arises primarily from receivables under LNG finance lease arrangements, LNG finance lease receivables, loan receivables, loans to third parties, financial assets at fair value through profit or loss, bank balances and loan from a shareholder. Except for the receivables under LNG finance lease arrangements, LNG finance lease receivables, loan receivables, margin clients receivables, loans to third parties and loan from a shareholder which are held at fixed interest rates, all the financial asset at fair value through profit or loss and bank balances are held at variable rates. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group is closely monitored by the management and the Group may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

#### (i) Effective interest profile

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the end of the reporting period:-

	2017		2016	
	Effective Interest rate %	HK\$'000	Effective Interest rate %	HK\$'000
Fixed rate financial assets				
Receivables under LNG				
finance lease arrangements	7.74 – 13.78	93,370	7.64 – 13.78	104,858
LNG finance lease receivables	7.24 – 12.82	84,308	6.98 – 12.82	144,041
Loan receivables	12.00 – 15.00	168,774	8.00 – 15.00	209,808
Margin clients receivables	9.25	43,195	9.25	49,088
Loans to third parties	8.00	1,983	8.00	9,149
Fixed rate financial liabilities				
Loan from a shareholder	5.00	(30,284)	N/A	–
Variable rate financial assets				
Financial assets at fair value through profit or loss	5.00	18,911	N/A	–
Bank balances	0.01 – 1.76	407,793	0.01 – 1.76	662,434
Net financial assets		788,050		1,179,378

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 5. FINANCIAL RISK MANAGEMENT (continued)

### (a) Nature and extent of financial instrument risks (continued)

#### Market risk (continued)

#### Interest rate risk (continued)

- (ii) It is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would not have a material impact on the Group's loss (2016: profit) for the year ended 31 December 2017, and retained profits as at the end of the reporting period.

The sensitivity analysis above has been determined based on the exposure to interest rate for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of asset outstanding at the end of the reporting period was outstanding for the whole year. 100 basis points increase are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonable possible change in interest rates.

#### Other price risk

As at 31 December 2017 and 2016, the Group is exposed to other price risk through its investments in equity securities listed on the Stock Exchange and the unlisted investment classified as financial assets at fair value through profit or loss (note 27). The management manages this exposure by maintaining a portfolio of investments with different risks. The Group currently does not use any derivative contracts to hedge its exposure to other price risk. However, the management has appointed a team to monitor the price risk and will consider hedging the risk exposure should that needs arise.

If the prices of the respective instruments at 31 December 2017 had been 10% higher/lower, the Group's loss (2016: profit) for the year ended 31 December 2017 would decrease/increase by approximately HK\$1,418,000 (2016: increase/decrease by approximately HK\$15,283,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

#### Fair value measurements of financial instruments

- (i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31 December 2017 across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:-

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 5. FINANCIAL RISK MANAGEMENT (continued)

### (a) Nature and extent of financial instrument risks (continued)

#### Fair value measurements of financial instruments (continued)

##### (i) Financial instruments carried at fair value (continued)

The Group had the following financial instrument carried at fair value which is based on the Level 1 and Level 3 of the fair value hierarchy:–

Financial assets	Fair value as at 31 December 2017	Fair value as at 31 December 2016	Fair value hierarchy	Valuation technique and key inputs	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss	Investment in Mainland China with carrying amount of HK\$18,911,000	–	Level 3	Key unobservable inputs are expected yields of maximum 5% of money market instruments and debt instruments invested by the bank (Note)	The higher the expected yield, the higher the fair value
Financial assets at fair value through profit or loss	–	Listed equity securities: – in Hong Kong: HK\$183,024,000	Level 1	Quoted bid prices in an active market	N/A

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

No gains or losses are recognised in profit or loss relating to the change in fair value of financial assets at fair value through profit or loss classified as Level 3 in the current year as the amount involved is insignificant, and therefore no reconciliation of Level 3 fair value measurements is presented.

During the year ended 31 December 2017, there were no significant transfers of financial instruments between Level 1, Level 2 or Level 3.

##### (ii) Fair values of financial instruments carried at other than fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 6. REVENUE FROM CONTINUING OPERATIONS

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

Note:–

On 20 May 2016, Dr. Kan Che Kin, Billy Albert (“Dr. Kan”), an executive Director and the substantial shareholder of the Company, and Key Fit Group Limited (“Key Fit”), a non-wholly-owned subsidiary of the Company entered into a sale and purchase agreement pursuant to which Dr. Kan agreed to sell and Key Fit agreed to purchase a total of 1,125,000,000 shares of Global Strategic Group Limited (“GS”), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the GEM Board of the Stock Exchange, for a total consideration of HK\$39,375,000 (or HK\$0.035 per GS’s share). This transaction was completed on 6 September 2016 and the gain on bargain purchase of financial assets at fair value through profit or loss of approximately HK\$275,625,000 was recognised in profit or loss for the year ended 31 December 2016.

## 7. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 7. SEGMENTS AND ENTITY – WIDE INFORMATION (continued)

### Reportable segments (continued)

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;
- (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; and
- (8) Financial services through provision of money lending business.

The Group's properties investment business was regarded as a discontinued operation, the details of which are set out in note 14.

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 and deferred tax assets and bank balance 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 7. SEGMENTS AND ENTITY – WIDE INFORMATION (continued)

### Reportable segments (continued)

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
<b>REVENUE</b>																		
External	922,278	14,365	3,031	-	15,530	15,732	505	-	4,101	-	(77,558)	145,794	5,902	4,066	23,163	19,554	896,952	199,571
<b>RESULT</b>																		
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)	123,932
Other income and gains																	2,332	2,181
Finance cost																	(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
<b>Other information</b>																		
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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 7. SEGMENTS AND ENTITY – WIDE INFORMATION (continued)

### Reportable segments (continued)

	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	
<b>Assets</b>																			
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	
Assets relating to discontinued operation																	1,588,160	1,561,237	
Consolidated total assets																	3,445,980	3,422,471	
<b>Liabilities</b>																			
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	
Liabilities relating to discontinued operation																	343,746	244,844	
Consolidated total liabilities																	727,492	489,688	

### 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
<b>Continuing operations</b>		
Revenue by geographical location of its external customers:-		
Hong Kong	(48,493)	169,414
PRC	945,445	30,157
	896,952	199,571
<b>Continuing and discontinued operations</b>		
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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 8. OTHER INCOME AND GAINS FROM CONTINUING OPERATIONS

	2017 HK\$'000	2016 HK\$'000
<b>Continuing operations</b>		
Gain on disposal of plant and equipment	224	–
Gain on disposal of subsidiaries (note 39)	514	–
Gain on bargain purchase from business combination (note 37(e))	–	4
Gain on disposal of financial assets at fair value through profit or loss	–	346
Bank interest income	1,490	5,140
Interest income from loans to third parties	475	101
Exchange gain, net	–	5,030
Sundry income	3,745	2,242
	<b>6,448</b>	<b>12,863</b>

## 9. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest expense on loan from a shareholder	284	–

## 10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

### (i) Directors' remuneration

Pursuant to the Listing Rules, Section 383(1)(a),(b),(c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulations, the emoluments paid or payable to each of the eight (2016: ten) directors are as follows:–

	Fees HK\$'000	Other emoluments		Total emoluments HK\$'000
		Salaries and other benefits HK\$'000	Pension costs HK\$'000	
<b>For the year ended 31 December 2017</b>				
Executive directors:–				
Kan Che Kin, Billy Albert	10	–	–	10
Li Kai Yien, Arthur Albert	10	–	–	10
Chen Li Bo	–	1,440	–	1,440
Non-executive directors:–				
Simon Murray	50	–	–	50
Lam, Lee G.	50	–	–	50
Independent non-executive directors:–				
Li Siu Yui	50	–	–	50
Lam Lum Lee	50	–	–	50
Au Yeung Po Fung	50	–	–	50
	<b>270</b>	<b>1,440</b>	<b>–</b>	<b>1,710</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

### (i) Directors' remuneration (continued)

	Fees HK\$'000	Other emoluments		Total emoluments HK\$'000
		Salaries and other benefits HK\$'000	Pension costs HK\$'000	
For the year ended 31 December 2016				
Executive directors:-				
Kan Che Kin, Billy Albert	10	-	-	10
Li Shu Han, Eleanor Stella (resigned on 9 September 2016)	7	-	-	7
Li Kai Yien, Arthur Albert	10	-	-	10
Chen Li Bo	-	1,440	-	1,440
Non-executive directors:-				
Simon Murray	50	-	-	50
Lam, Lee G.	50	-	-	50
Independent non-executive directors:-				
Li Siu Yui	50	-	-	50
Ip Woon Lai (resigned on 22 July 2016)	27	-	-	27
Lam Lum Lee	50	-	-	50
Au Yeung Po Fung (appointed on 22 July 2016)	22	-	-	22
	276	1,440	-	1,716

Note:-

At 31 December 2017, the remuneration payable to the directors was approximately HK\$88,000 (2016: HK\$88,000) which was included in accounts and other payables in note 29 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 10. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

### (ii) Employees' emoluments

During the year, the five highest paid individuals included one (2016: one) Director, details of which are set out above in paragraph (i). The emoluments of the remaining four (2016: four) highest paid individuals are as follows:–

	2017 HK\$'000	2016 HK\$'000
Salaries and other benefits	3,293	3,694
Retirement benefits scheme contributions	205	89
	<b>3,498</b>	<b>3,783</b>

The number of employees whose remuneration fell within the following bands was:–

	2017	2016
Nil – HK\$1,000,000	3	3
HK\$1,000,001 – 1,500,000	1	1
	<b>4</b>	<b>4</b>

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

## 11. (LOSS)/PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

	2017 HK\$'000	2016 HK\$'000
<b>Continuing operations</b>		
(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
	<b>69,889</b>	<b>39,680</b>
Total staff costs	<b>71,599</b>	<b>41,396</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 12. TAXATION FROM CONTINUING OPERATIONS

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

	2017 HK\$'000	2016 HK\$'000
<b>Continuing operations</b>		
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
	<b>16,935</b>	<b>2,199</b>

Provision 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.

The taxation for the year can be reconciled to the (loss)/profit before taxation per the consolidated statement of profit or loss as follows:–

	2017 HK\$'000	2016 HK\$'000
(Loss)/profit before taxation from continuing operations	<b>(135,675)</b>	153,634
Tax at Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	<b>(22,386)</b>	25,350
Tax rates differential	<b>1,325</b>	31
Tax effect of non-deductible expenses	<b>27,447</b>	23,927
Tax effect of non-taxable income	<b>(2,396)</b>	(51,632)
Tax effect of temporary differences not recognised	<b>6</b>	(905)
Tax effect of unrecognised tax losses	<b>13,220</b>	5,846
Under/(over)-provision in previous year	<b>46</b>	(100)
Others	<b>(327)</b>	(318)
Taxation for the year from continuing operations	<b>16,935</b>	2,199

## 13. DIVIDENDS

- (a) No dividend was paid or proposed for 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 HK\$'000	2016 HK\$'000
Final dividend in respect of the previous financial year, approved and paid or payable during the year of HK\$nil cent per share (2016: HK\$1 cent per share, adjusted for the effect of the Share Consolidation on 11 August 2017)	–	56,385

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 14. DISCONTINUED OPERATION

On 1 June 2017 and 5 June 2017, the Group and Dr. Kan, an executive Director and the chairman of the Company, entered into provisional agreements and a supplemental agreement respectively, pursuant to which Dr. Kan agreed to acquire, and the Group agreed to sell the entire equity interests of two wholly-owned subsidiaries, ACE Vantage Investments Limited (“ACE”) and Smart Look Limited (“SLL”) at a total consideration of HK\$67,200,000 (the “ACE and SLL Disposal”). Completion of the ACE and SLL Disposal took place on 7 August 2017 and the consideration was settled in cash. ACE and SLL ceased to be subsidiaries of the Company thereafter and the Group no longer carried on the business of properties investment. Accordingly, the business segment of properties investment was regarded as a discontinued operation. Details of the ACE and SLL Disposal are set out in note 39 to the consolidated financial statements.

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

	2017 HK\$'000	2016 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 HK\$'000	2016 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)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 15. (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 HK\$'000	2016 HK\$'000
<b>(Loss)/profit for the year attributable to equity shareholders of the Company</b>		
From continuing operations	(124,272)	90,649
From discontinued operation	543	1,374
	<b>(123,729)</b>	92,023
	<b>2017</b>	2016 (Restated)
<b>Number of shares</b>		
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	<b>5,636,640,329</b>	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.

## 16. INVESTMENT PROPERTIES

	2017 HK\$'000	2016 HK\$'000
At 1 January	66,000	65,300
Disposal of subsidiaries (note 39)	(66,000)	–
Fair value adjustment	–	700
At 31 December, at fair value	–	66,000

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 16. INVESTMENT PROPERTIES (continued)

- (a) At 31 December 2016, all of the Group's investment properties were located in Hong Kong and were built on land held under medium-term to long-term leases.

	2017 HK\$'000	2016 HK\$'000
Medium-term lease	–	43,900
Long-term lease	–	22,100
	–	66,000

### (b) Fair value measurement of investment properties

- (i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:–

- Level 1: Fair value measured using unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2: Fair value measured using observable inputs and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3: Fair value measured using significant unobservable inputs.

	Fair value at 31 December 2016	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3
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#### Recurring fair value measurement

Investment properties	66,000	–	–	66,000
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During the year ended 31 December 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period.

The Group's investment properties were revalued by Roma Appraisals Limited, an independent professional valuer, at 31 December 2016. The valuations were carried out by qualified persons who are members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being held. The Group's property manager and the chief financial officer had discussion with the surveyors on the valuation assumptions and valuation results when valuation was performed at each interim and annual reporting date.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 16. INVESTMENT PROPERTIES (continued)

### (b) Fair value measurement of investment properties (continued)

#### (i) Fair value hierarchy (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy

The following table provides a reconciliation of the movement between opening and closing balances of Level 3 investment properties, measured at fair value using a valuation technique with significant unobservable inputs:–

	2017 HK\$'000	2016 HK\$'000
At 1 January	66,000	65,300
Disposal of subsidiaries (note 39)	(66,000)	–
Effect of properties revaluation	–	700
At 31 December	–	66,000
Unrealised gain or losses recognised in profit or loss relating to those assets held at the end of the reporting period	–	700

#### (ii) Information about Level 3 fair value measurements

	Valuation technique(s)	Unobservable input(s)	Range
Investment properties	Direct comparison approach	Premium (discount) on characteristic of the properties	0 % to 10%

The fair value of investment properties were determined using direct comparison approach to value these properties in their respective existing states and used on the market basis assuming sale with immediate vacant possession and by making reference to comparable sales evidence. The valuations took into account the characteristic of the properties which included the location, size, shape, view, floor level, year of completion and others factors collectively. Higher premium for properties with higher characteristic resulted in a higher fair value measurement.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 17. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Yacht HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>COST</b>							
At 1 January 2016	2,831	1,125	–	1,687	–	–	5,643
Business combination (note 37)	1,036	1,649	327	1,276	9,100	1,242	14,630
Additions	1,692	1,060	11,002	3,343	–	5,321	22,418
Transfer	–	–	3,650	–	–	(3,650)	–
Disposals	–	(618)	–	–	–	–	(618)
Exchange adjustments	(217)	(91)	(668)	(195)	–	(129)	(1,300)
At 1 January 2017	5,342	3,125	14,311	6,111	9,100	2,784	40,773
Business combination (note 37)	38	–	4,729	566	–	107	5,440
Additions	2,172	1,128	32,395	69,040	–	122,730	227,465
Transfer	–	–	67,933	–	–	(67,933)	–
Disposal of subsidiaries (note 39)	(622)	–	–	–	–	–	(622)
Disposals	(12)	–	(1,242)	(284)	–	–	(1,538)
Exchange adjustments	337	151	4,455	2,512	–	1,995	9,450
<b>At 31 December 2017</b>	<b>7,255</b>	<b>4,404</b>	<b>122,581</b>	<b>77,945</b>	<b>9,100</b>	<b>59,683</b>	<b>280,968</b>
<b>DEPRECIATION</b>							
At 1 January 2016	542	605	–	198	–	–	1,345
Provided for the year	1,332	954	230	861	1,400	–	4,777
Written back on disposals	–	(153)	–	–	–	–	(153)
Exchange adjustments	(47)	(31)	(10)	(38)	–	–	(126)
At 1 January 2017	1,827	1,375	220	1,021	1,400	–	5,843
Provided for the year	1,992	1,498	4,435	4,817	2,100	–	14,842
Written back on disposals	(2)	–	(612)	(101)	–	–	(715)
Disposal of subsidiaries (note 39)	(601)	–	–	–	–	–	(601)
Exchange adjustments	114	71	141	187	–	–	513
<b>At 31 December 2017</b>	<b>3,330</b>	<b>2,944</b>	<b>4,184</b>	<b>5,924</b>	<b>3,500</b>	<b>–</b>	<b>19,882</b>
<b>CARRYING VALUES</b>							
<b>At 31 December 2017</b>	<b>3,925</b>	<b>1,460</b>	<b>118,397</b>	<b>72,021</b>	<b>5,600</b>	<b>59,683</b>	<b>261,086</b>
At 31 December 2016	3,515	1,750	14,091	5,090	7,700	2,784	34,930

The above items of plant and equipment were depreciated on a straight-line basis at the following rates per annum:–

Furniture, fixtures and equipment	20%-33.33%
Leasehold improvements	25%, or over the lease term whichever is shorter
Plant and machinery	5%-33.33%
Motor vehicles	10%-25%
Yacht	20%

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 18. GOODWILL

	2017 HK\$'000	2016 HK\$'000
<b>COST</b>		
At 1 January	8,493	–
Business combination – Note 37	418	8,493
Exchange adjustment	250	–
At 31 December	<b>9,161</b>	8,493
<b>IMPAIRMENT</b>		
At 1 January	–	–
Charge for the year	–	–
At 31 December	–	–
<b>CARRYING VALUES</b>		
At 31 December	<b>9,161</b>	8,493

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

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

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

The Directors estimate discount rates using pre-tax rates by reference to the average rates for a similar industry and the risks specific to the CGU and determined the discount rate to be 14.1% (2016: 14.9%).

The Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount of respective CGU.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 19. OTHER INTANGIBLE ASSETS

	Road transportation operation permits of dangerous goods HK\$'000
<b>COST</b>	
At 1 January 2016	–
Acquisition – Note 38(b)	2,337
Exchange adjustment	(104)
	<hr/>
At 1 January 2017	2,233
Acquisition – Note 38(a)	640
Exchange adjustment	189
	<hr/>
<b>At 31 December 2017</b>	<b>3,062</b>
<b>AMORTISATION</b>	
At 1 January 2016	–
Charge for the year	–
	<hr/>
At 1 January 2017	–
Charge for the year	259
Exchange adjustment	9
	<hr/>
<b>At 31 December 2017</b>	<b>268</b>
<b>CARRYING VALUES</b>	
	<hr/>
<b>At 31 December 2017</b>	<b>2,794</b>
	<hr/>
At 31 December 2016	2,233
	<hr/>

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

## 20. INTEREST IN ASSOCIATES

	2017 HK\$'000	2016 HK\$'000
Cost of unlisted investment in associates	14,827	–
Share of results of associates	(1,151)	–
	<hr/>	<hr/>
	<b>13,676</b>	–
	<hr/>	<hr/>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 20. INTEREST IN ASSOCIATES (continued)

Details of the associates at 31 December 2017 were as follows:–

Name of company	Place of establishment	Proportion of ownership interest held by the Group		Principal activities
		Directly	Indirectly	
CNOOC (Bengbu) Traffic New Energy Co., Ltd.	PRC	–	40%	Sales and distribution of LNG diesel and oil product
CNOOC (Shanghai) Traffic New Energy Co., Ltd. (“CNOOC Shanghai Traffic”)	PRC	–	40%	Sales and distribution of LNG diesel and oil product
Anhui Jugang Energy Co., Ltd.	PRC	–	30.25%	Sales and distribution of LNG diesel and oil product
Shenzhen Gas Shengshi Clean Energy Co., Ltd. (“Shenzhen Gas Shengshi”)	PRC	–	25%	Investment in gasoline stations and LNG stations in the PRC

The above associates were accounted for using the equity method in the consolidated financial statements.

Aggregate financial information of the Group’s associates that are not individually material is summarised as below:

	2017 HK\$’000
The Group’s share of results for the year	(1,581)
The Group’s share of other comprehensive income for the year	430
The Group’s share of results for the year and total comprehensive income for the year	(1,151)
Carrying amount of the Group’s interests in the associates	13,676

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 21. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY AND ASSOCIATES

At 31 December 2017, there was no deposit for acquisition of subsidiaries and associates. The deposit at 31 December 2016 comprised the acquisition of a subsidiary, Shijiazhuang Sheng Ran Gas Trading Co., Ltd.\* (石家莊盛冉燃氣貿易有限公司) (“Shengran Gas”) and associate companies, CNOOC Shanghai Traffic and Shenzhen Gas Shengshi:

- (i) On 23 November 2015, CLNG Investment (Shanghai) Co., Ltd.\* (港能投資(上海)有限公司) (“CLNG Investment”), a wholly-owned subsidiary of the Company and Shanghai Heyin Energy Investment Co., Ltd.\* (上海合銀能源投資有限公司) (“Heyin”) entered into the share transfer agreement, pursuant to which CLNG Investment conditionally agreed to purchase and Heyin has conditionally agreed to sell 40% equity interests in 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. A refundable deposit of RMB3,600,000 was paid.
- (ii) 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) 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, 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 was RMB5,000,000. A refundable deposit of RMB5,000,000 was paid upon signing the capital injection and share transfer agreement. Shenzhen Gas Shengshi is principally engaged in investment in gasoline stations and LNG stations in the PRC.
- (iii) On 15 December 2016, Hebei Dezhong Gas Trading Co., Ltd.\* (河北德眾燃氣貿易有限公司) (“Hebei Dezhong”), a non-wholly-owned subsidiary of the Company, and four parties entered into a share transfer agreement, pursuant to which Hebei Dezhong agreed to purchase and each of the four parties respectively agreed to sell 80%, 10%, 9% and 1% equity interests in Shengran Gas at a consideration of RMB550,000. Shengran Gas is principally engaged in trading of natural gas and transportation. A refundable deposit of RMB110,000 was paid upon signing the share transfer agreement.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 22. 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 HK\$'000	2016 HK\$'000
Within one year	53,046	48,307
In the second to fifth years, inclusive	31,262	56,551
	<b>84,308</b>	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 maturity profile of receivables under LNG finance lease arrangements at the end of the reporting period, is as follows:–

	2017 HK\$'000	2016 HK\$'000
Neither past due nor impaired	79,271	104,438
Past due but not impaired:		
Within 3 months	2,056	420
4 to 6 months	1,460	–
7 to 9 months	1,225	–
10 to 12 months	150	–
Over 1 year	146	–
	<b>84,308</b>	104,858

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 23. 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
	<b>108,751</b>	163,148	<b>93,370</b>	144,041
Less: Unearned finance income	<b>(15,381)</b>	(19,107)		
Present value of minimum lease payment receivables	<b>93,370</b>	144,041		
Less: Amount receivable within 12 months (shown under current assets)			<b>(68,288)</b>	(83,953)
Amount receivable after 12 months			<b>25,082</b>	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 maturity profile of LNG finance lease receivables at the end of the reporting period, is as follows:–

	2017 HK\$'000	2016 HK\$'000
Neither past due nor impaired	76,131	135,072
Past due but not impaired:		
Within 3 months	4,787	6,563
4 to 6 months	3,905	2,406
7 to 9 months	3,160	–
10 to 12 months	778	–
Over 1 year	4,609	–
	<b>93,370</b>	144,041

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 24. INVENTORIES

	2017 HK\$'000	2016 HK\$'000
LNG	34,615	2,626

The cost of inventories recognised as an expense and included in cost of sales during the year was approximately HK\$833,703,000 (2016: HK\$13,053,000).

## 25. LOAN RECEIVABLES

	2017 HK\$'000	2016 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.

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

	2017 HK\$'000	2016 HK\$'000
Neither past due nor impaired	142,617	100,412
Past due but not impaired:–		
Less than 1 month	1,848	3,927
Less than 3 months but over 1 month	2,494	95,807
Over 3 months	21,815	9,662
	168,774	209,808

Receivables which were neither past due nor impaired related to a number of borrowers for whom there was no recent history of default. For those balances which were past due but not impaired, they related to a number of borrowers for which the management have assessed their financial position and performance as well as collaterals. The Directors are of the opinion that no provision for impairment is necessary in respect of loan receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 26. ACCOUNTS AND OTHER RECEIVABLES

	2017 HK\$'000	2016 HK\$'000
Accounts receivables arising from dealing in securities (note 26(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 26(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 26(c))	1,983	9,149
Amounts due from non-controlling shareholders of subsidiaries (note 26(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 business presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 26. ACCOUNTS AND OTHER RECEIVABLES (continued)

Notes: (continued)

(b) (continued)

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

	2017 HK\$'000	2016 HK\$'000
Past due but not impaired:		
Within 3 months	26,385	782
4 to 6 months	8,045	109
	<b>34,430</b>	891

(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.

## 27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK\$'000	2016 HK\$'000
Equity securities listed in Hong Kong, at fair value (note 27(a))	–	183,024
Short-term unlisted investment (note 27(b))	18,911	–
	<b>18,911</b>	183,024

Notes:

(a) The fair value of Group's investments in listed equity securities had been determined directly by reference to their published price quotations in active market at the end of the reporting period.

(b) At 31 December 2017, the Group had an unlisted investment of approximately HK\$18,911,000 (equivalent to RMB15,750,000) offered by Zhonghai Trust Co., Limited ("Zhonghai Trust") in the PRC. The investment carried interest at expected maximum interest rate of 5.0% per annum, depending on the market price of the underlying money market instruments and debt instruments invested by Zhonghai Trust, payable on redemption. The product was non-principal guaranteed. The Group has the right to redeem the investment on or before 20 December 2022 and receives the redemption price based on the rate of return as announced by Zhonghai Trust when redeemed.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 28. BANK BALANCES AND CASH

	2017 HK\$'000	2016 HK\$'000
Cash at banks:–		
General accounts	363,581	512,244
Client accounts	44,211	150,190
Cash in hand	581	57
	<b>408,373</b>	662,491

General accounts bear interest at prevailing market rate and have original maturity of three months or less.

The Group maintains client bank accounts with authorised financial institutions to receive and hold money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more client bank accounts and bear interest at commercial rates. The Group has recognised the corresponding accounts payable to respective clients. However, the Group currently does not have an enforceable right to offset those payables with the deposits placed.

The Group's bank balances are denominated primarily in Hong Kong dollar, Renminbi and United States dollar.

## 29. ACCOUNTS AND OTHER PAYABLES

	2017 HK\$'000	2016 HK\$'000
Accounts payables arising from dealing in securities (note 29(a)):		
Cash clients (note 29(b))	41,946	145,874
Margin clients (note 29(c))	2,702	4,899
Hong Kong Securities Clearing Company Limited	–	1,779
Accounts payables arising from LNG businesses (note 29(d))	68,510	870
Total accounts payables	<b>113,158</b>	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 29(e))	30,284	–
Amount due to a shareholder (note 29(f))	–	38,015
Amounts due to non-controlling shareholders of subsidiaries (note 29(g))	59,983	–
Total accounts and other payables	<b>338,555</b>	232,518

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 29. ACCOUNTS AND OTHER PAYABLES (continued)

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 HK\$'000	2016 HK\$'000
Within 3 month	57,655	870
4 to 6 months	10,855	–
	<b>68,510</b>	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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 30. DEFERRED TAXATION

The following is deferred tax (assets)/liabilities recognised by the Group and movement thereon during the year are as follows:–

	Tax losses HK\$'000	Accelerated depreciation allowances HK\$'000	Total HK\$'000
At 1 January 2016	(450)	695	245
Charge for the year (note 14)	12	121	133
At 31 December 2016 and 1 January 2017	(438)	816	378
Disposal of subsidiaries (note 39)	438	(816)	(378)
<b>At 31 December 2017</b>	<b>–</b>	<b>–</b>	<b>–</b>

The unutilised tax losses accumulated in the Hong Kong subsidiaries of the Company amounted to approximately HK\$499,672,000 (2016: HK\$499,613,000) can be carried forward indefinitely. The unutilised tax losses accumulated in the PRC subsidiaries amounted to approximately HK\$129,321,000 (2016: HK\$49,259,000) would expire in five years from the respective year of loss. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

At the end of the reporting period, the Group had taxable temporary differences not recognised of approximately HK\$5,445,000 (2016: HK\$5,484,000) arising from the accelerated tax allowances. No deferred tax liabilities has been recognised in respect of these taxable temporary differences owing to immateriality.

Reconciliation to the deferred tax disclosed in the consolidated statement of financial position:–

	2017 HK\$'000	2016 HK\$'000
Deferred tax asset recognised in the consolidated statement of financial position	–	(10)
Deferred tax liability recognised in the consolidated statement of financial position	–	388
	–	378

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 31. SHARE CAPITAL

### (a) Share capital

	2017		2016	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Shares of HK\$0.02 each	200,000,000,000	400,000	200,000,000,000	400,000
Authorised:-				
At 1 January				
Share consolidation (note 31(a)(i))	(180,000,000,000)	-	-	-
At 31 December	20,000,000,000	400,000	200,000,000,000	400,000
Issued and fully paid:-				
At 1 January	56,387,070,908	112,774	56,385,049,100	112,770
Shares issued in lieu of dividend	-	-	2,021,808	4
Share Consolidation (note 31(a)(i))	(50,748,363,818)	-	-	-
Share repurchased and cancelled (note 31(a)(ii))	(22,584,000)	(452)	-	-
At 31 December	5,616,123,090	112,322	56,387,070,908	112,774

Notes:-

- (i) Pursuant to the extraordinary general meeting passed on 10 August 2017, Share Consolidation whereby every ten of the issued and unissued ordinary share with a par value of HK\$0.002 each in the share capital of the Company be consolidated into 1 ordinary share with a par value of HK\$0.02 each ("Consolidated Share(s)"), such that the authorised share capital of the Company becomes HK\$400,000,000 divided into 20,000,000,000 Consolidated Shares of par value of HK\$0.02 each. The Consolidation Shares rank pari passu in all respects with each other in accordance with the Memorandum and Articles of Association of the Company.
- (ii) During the year ended 31 December 2017, the Company repurchased a total of 22,584,000 of its own shares through purchases on The Stock Exchange of Hong Kong Limited. The difference between total consideration paid of HK\$27,202,000 to repurchase these shares and the aggregate nominal value of these shares was charged against share premium.

### (b) Capital management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholders, issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy, which is unchanged from the previous periods, is to maintain a reasonable proportion in total debts and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debts over equity capital.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 31. SHARE CAPITAL (continued)

### (b) Capital management (continued)

The only externally imposed capital requirement is that under the Listing Rules, the Company has to maintain the minimum public float requirement of which at least 25% of the issued Shares being held in public hands. Details of sufficiency of public float have been included in the paragraph headed "Sufficiency of Public Float" in the section headed "Report of the Directors" of this annual report.

## 32. RESERVES

### (a) The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

### (b) The Company

	Share premium HK\$'000	Special reserve HK\$'000	(Accumulated losses)/retained profits HK\$'000	Total HK\$'000
At 1 January 2016	483,856	112,369	(15,096)	581,129
Dividend declared and paid (note 13)	(56,385)	–	–	(56,385)
Shares issued in lieu of dividend (note 31(a))	558	–	–	558
Profit and total comprehensive income for the year	–	–	4,664	4,664
At 31 December 2016 and 1 January 2017	428,029	112,369	(10,432)	529,966
Share repurchased and cancelled	(26,750)	–	–	(26,750)
Profit and total comprehensive income for the year	–	–	42,542	42,542
<b>At 31 December 2017</b>	<b>401,279</b>	<b>112,369</b>	<b>32,110</b>	<b>545,758</b>

## 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Loan from a shareholder HK\$'000	Amount due to a shareholder HK\$'000	Total HK\$'000
At 1 January 2017	–	38,015	38,015
Changes from financing cash flows:			
Advance from a shareholder	30,000	–	30,000
Repayment to a shareholder	–	(38,015)	(38,015)
	30,000	–	30,000
Other changes:			
Interest expense on loan from a shareholder	284	–	284
At 31 December 2017	30,284	–	30,284

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 34. COMMITMENTS

### Operating lease commitment

The Group as lessees:-

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

	2017 HK\$'000	2016 HK\$'000
Within one year	8,382	6,714
In the second to fifth year inclusive	11,443	3,891
Over five years	1,029	-
	<b>20,854</b>	10,605

Operating lease payments represent rentals payable by the Group for its office premises and plots of land. The leases are negotiated for terms from six months to thirty years (2016: one year to twenty years) and does not include contingent rentals. One of the leases is guaranteed by Dr. Kan.

The Group as lessor:-

At the end of the reporting period, the Group's future minimum lease payments under non-cancellable operating leases are receivable as follows:-

	2017 HK\$'000	2016 HK\$'000
Within one year	-	300

The lease was negotiated with a term of 2 years with fixed monthly rental and did not include contingent rentals.

### Capital commitment

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

	2017 HK\$'000	2016 HK\$'000
Contracted but not provided for		
Plant and machinery	82,630	68,588
Capital contribution to subsidiaries	4,075,719	3,392,431
Acquisition of a subsidiary	-	491
	<b>4,158,349</b>	3,461,510

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 35. RETIREMENT BENEFITS SCHEME

The Group operates a defined contribution Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Mandatory Provident Fund Scheme Ordinance for all qualifying employees in Hong Kong since December 2000. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees. The Group’s employer contributions vest fully with employees when contributed into the MPF Scheme. The only obligation of the Group with respect of the retirement benefits scheme is to make the required contributions under the MPF Scheme.

The total cost charged to the consolidated statement of profit or loss of approximately HK\$265,000 (2016: HK\$160,000) represents contributions paid and payable to the MPF Scheme by the Group at rate specified in the rules of the MPF Scheme. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group. At 31 December 2017 and 2016, no forfeited contributions were available to reduce the contributions payable in the future years.

The employees in the subsidiaries in the PRC are members of the state-managed retirement benefit schemes (the “Social Insurance Scheme”) operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit scheme to fund the benefit. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the Social Insurance Scheme.

The total cost charged to the consolidated statement of profit or loss of approximately HK\$12,595,000 (2016: HK\$6,412,000) represents contributions paid and payable to the Social Insurance Scheme by the Group at rates specified in the rules of the Social Insurance Scheme.

## 36. RELATED PARTY TRANSACTIONS

- (a) Apart from the information as disclosed in elsewhere in the consolidated financial statements, the Group had the following material transactions with its related parties during the year.

	Note	2017 HK\$'000	2016 HK\$'000
Service fee income from a related company owned by an executive Director and the substantial shareholder	(i)	186	42
Brokerage income from an executive Director and the substantial shareholder	(i)	3	136
Purchase of held for trading investment from an executive Director and the substantial shareholder	(i)	–	39,375
Interest expense on loan from an executive Director and the substantial shareholder	(i)	284	–
Proceeds from disposal of subsidiaries to an executive Director and the substantial Shareholder	(i)	67,200	–

Note:–

- (i) These transactions fall within the definition of “Connected transaction” in Chapter 14A of the Listing Rules for the year ended 31 December 2017.

The Company entered into loan facility agreements with Dr. Kan in relation to the provision of standby facilities of HK\$390,000,000 to the Company by Dr. Kan. At 31 December 2017, this facility had been utilised to the extent of HK\$30,284,000 (2016: HK\$38,015,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 36. RELATED PARTY TRANSACTIONS (continued)

- (b) Compensation of key management personnel

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

	2017 HK\$'000	2016 HK\$'000
Short-term benefits	19,264	16,122
Post-employment benefits	2,338	800
	<b>21,602</b>	16,922

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

These transactions do not fall within the definition of “connected transactions” in Chapter 14A of the Listing Rules.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 37. BUSINESS COMBINATION

- (a) On 9 January 2017, the Group acquired 60% equity interest of Shandong Aohai Natural Gas Technology Co., Ltd.\* (山東奧海天然氣資源技術有限公司) ("Shandong Aohai") at a cash consideration of HK\$1,000.

Shandong Aohai is principally engaged in trading of LNG and investment, development, management and operation of LNG equipments in the PRC.

The fair value of the identifiable assets and liabilities of Shandong Aohai acquired as at the date of acquisition is as follows:–

	2017 HK\$'000
Plant and equipment	5
Inventories	314
Prepayments, deposits and other receivables	1,838
Bank balances and cash	73
Accounts payable	(261)
Accrued charges and other payables	(2,096)
	(127)
Non-controlling interests	51
	(76)
<b>Goodwill arising on acquisition</b>	
Consideration for acquisition	1
Less: Fair value of identifiable net liabilities acquired	76
	77
<b>Net cash inflow arising from business combination</b>	
Cash consideration paid	(1)
Less: Cash and cash equivalents acquired	73
	72

Acquisition related costs incurred during the year amounting to approximately HK\$27,000 were included in administrative expenses in profit or loss.

The newly acquired business contributed revenue and a loss of approximately HK\$19,176,000 and HK\$2,367,000 to the Group respectively for the period between the date of acquisition and the end of the reporting year.

Had the acquisition been completed on 1 January 2017, the Group's revenue and loss for the year would be approximately HK\$897,672,000 and HK\$152,067,000 respectively. The proforma financial information was for illustrative purposes only and was not necessarily an indication of the revenue and results of operations of the Group that would actually have been impacted had the acquisition been completed on 1 January 2017, nor was it intended to be a projection of future results.

The goodwill of HK\$77,000 arose from a number of factors. The most significant amongst these is that Shandong Aohai has good development and technology for application of LNG and the Group can expand its sales and distribution of LNG in Shandong province.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 37. BUSINESS COMBINATION (continued)

- (b) On 11 July 2017, the Group acquired 51% equity interest of Qingdao Aobo Shunta Gas Co., Ltd.\* (青島奧博順拓氣體有限公司) ("Qingdao Aobo") by injecting a sum of approximately HK\$3,631,000, of which the entire amount was recognised as the paid up capital of Qingdao Aobo.

Qingdao Aobo is principally engaged in sales and distribution of LNG, LNG supply and management in the PRC.

The fair value of the identifiable assets and liabilities of Qingdao Aobo acquired as at the date of acquisition is as follows:—

	2017 HK\$'000
Plant and equipment	5,435
Prepayments, deposits and other receivables	8,746
Bank balances and cash	125
Accrued charges and other payables	(7,855)
	<b>6,451</b>
Non-controlling interests	<b>(3,161)</b>
	<b>3,290</b>
<b>Goodwill arising on acquisition</b>	
Consideration in the form of capital injection to Qingdao Aobo	3,631
Less: Fair value of identifiable net assets acquired	<b>(3,290)</b>
	<b>341</b>
<b>Net cash inflow arising from business combination</b>	
Cash consideration paid	—
Less: Cash and cash equivalents acquired	125
	<b>125</b>

Acquisition related costs incurred during the year amounting to approximately HK\$79,000 were included in administrative expenses in the profit or loss.

The newly acquired business contributed revenue and a loss of approximately HK\$6,485,000 and HK\$471,000 to the Group respectively for the period between the date of acquisition and the end of the reporting year.

Had the acquisition been completed on 1 January 2017, the Group's revenue and loss for the year would be approximately HK\$900,914,000 and HK\$151,927,000 respectively. The proforma financial information was for illustrative purposes only and was not necessarily an indication of the revenue and results of operations of the Group that would actually have been impacted had the acquisition been completed on 1 January 2017, nor was it intended to be a projection of future results.

The goodwill of HK\$341,000 arose from a number of factors. The most significant amongst these is Qingdao Aobo is located at the center of Shandong, which is closed to the LNG terminal. The merits of geographical location with sufficient resources are beneficial to the sales and distribution of LNG.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 37. BUSINESS COMBINATION (continued)

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

Key Fit Group is principally engaged in trading of securities, provision of securities brokerage, margin financing and securities investments, and financial services through provision of money lending business in Hong Kong.

The Group considers that the business combination provides a good opportunity to diversify the Group's business and broaden the revenue streams of the Group.

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

	2016 HK\$'000
Plant and equipment	13,061
Statutory deposits	250
Financial assets at fair value through profit or loss	2,936
Amounts due from related companies	65,190
Loan receivables	284,176
Accounts receivable	3,086
Deposits and prepayments	1,775
Bank balances and cash	815,787
Accounts payable	(61,813)
Accrued charges and other payables	(716)
Amount due to a shareholder	(43,256)
Amounts due to related companies	(9,238)
Income tax payable	(9,967)
	1,061,271
Non-controlling interests	(420,051)
	641,220
<b>Net cash inflow arising from business combination</b>	
Cash consideration paid	–
Less: Cash and cash equivalents acquired	815,787
	815,787

There was no transaction cost for this acquisition borne by the Group.

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

Key Fit Group contributed revenue and a profit of approximately HK\$169,414,000 and HK\$155,755,000 to the Group respectively for the period between the date of acquisition and 31 December 2016.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 37. BUSINESS COMBINATION (continued)

(c) (continued)

Had the acquisition been completed on 1 January 2016, the Group's revenue and profit for the year ended 31 December 2016 would be approximately HK\$284,914,000 and HK\$201,867,000 respectively. This proforma financial information was for illustrative purposes only and was not necessarily an indication of the revenue and results of operations of the Group that would actually have been impacted had the acquisition been completed on 1 January 2016, nor was it intended to be a projection of future results.

(d) On 22 July 2016, the Group acquired 51% equity interest of Hebei Tiandao Energy Storage Transportation Co., Ltd.\* (河北天道能源儲運有限公司) ("Hebei Tiandao") by injecting a sum of HK\$53,635,000, of which HK\$36,493,000 and HK\$17,142,000 were recognised as the registered capital and the capital reserve of Hebei Tiandao, respectively.

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

The fair value of the identifiable assets and liabilities of Hebei Tiandao acquired as at the date of acquisition is as follows:—

	2016 HK\$'000
Plant and equipment	1,242
Deposit for acquisition of plant and equipment	15,257
Prepayments, deposits and other receivables	72,084
Bank balances and cash	74
Accrued charges and other payables	(144)
	<hr/>
	88,513
Non-controlling interests	(43,371)
	<hr/>
	45,142
	<hr/>
<b>Goodwill arising on acquisition</b>	
Consideration in the form of capital injection to Hebei Tiandao	53,635
Less: Fair value of identifiable net assets acquired	(45,142)
	<hr/>
	8,493
	<hr/>
<b>Net cash inflow arising from business combination</b>	
Cash consideration paid	—
Less: Cash and cash equivalents acquired	74
	<hr/>
	74
	<hr/>

Acquisition related costs incurred during the year amounting to approximately HK\$185,000 were included in administrative expenses in the profit or loss.

The newly acquired business contributed revenue and a profit of approximately HK\$982,000 and HK\$181,000 to the Group respectively for the period between the date of acquisition and 31 December 2016.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 37. BUSINESS COMBINATION (continued)

(d) (continued)

Had the acquisition been completed on 1 January 2016, the Group's revenue and profit for the year ended 31 December 2016 would be approximately HK\$200,711,000 and HK\$152,695,000 respectively. The proforma financial information was for illustrative purposes only and was not necessarily an indication of the revenue and results of operations of the Group that would actually have been impacted had the acquisition been completed on 1 January 2016, nor was it intended to be a projection of future results.

The goodwill of HK\$8,493,000 arose from a number of factors. The most significant amongst these is Hebei Tiandao will invest in construction of LNG storage and distribution centres for sales and distribution of LNG to industrial, commercial and residential customers and LNG refueling stations that significantly further expand the Group's LNG related business activities.

(e) On 9 August 2016, the Group acquired 65% equity interest of Hebei Dezhong by injecting a sum of approximately HK\$7,284,000, of which the entire amount was recognised as the registered capital of Hebei Dezhong.

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

The fair value of the identifiable assets and liabilities of Hebei Dezhong acquired as at the date of acquisition is as follows:—

	2016 HK\$'000
Plant and equipment	327
Prepayments, deposits and other receivables	11,632
Accounts receivable	231
Inventories	5
Bank balances	26
Accounts payable	(27)
Accrued charges and other payables	(982)
	<hr/> 11,212
Non-controlling interests	(3,924)
	<hr/> 7,288
<b>Gain on bargain purchase arising on acquisition</b>	
Consideration in the form of capital injection to Hebei Dezhong	7,284
Less: Fair value of identifiable net assets acquired	(7,288)
	<hr/> (4)
<b>Net cash inflow arising from business combination</b>	
Cash consideration paid	—
Less: Cash and cash equivalents acquired	26
	<hr/> 26

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 37. BUSINESS COMBINATION (continued)

(e) (continued)

Acquisition related costs incurred during the year amounting to approximately HK\$134,000 were included in administrative expenses in the profit or loss.

The Group recognised a gain on bargain purchase of approximately HK\$4,000 because the fair value of identifiable net assets acquired exceeded the purchase consideration.

The newly acquired business contributed revenue and a loss of approximately HK\$1,699,000 and HK\$1,278,000 to the Group respectively for the period between the date of acquisition and 31 December 2016. The Group considers that the business combination will have synergy effect with the existing operations in Hebei. In addition, the Group expected to expand its LNG business in the PRC in view of the benefit of expected revenue growth and future market development.

Had the acquisition been completed on 1 January 2016, the Group's revenue and profit for the year ended 31 December 2016 would be approximately HK\$201,590,000 and HK\$152,817,000 respectively. The proforma financial information was for illustrative purposes only and was not necessarily an indication of the revenue and results of operations of the Group that would actually have been impacted had the acquisition been completed on 1 January 2016 nor was it intended to be a projection of future results.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 38. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

- (a) On 1 August 2017, the Group acquired 100% equity interest of Shengran Gas at a total consideration of HK\$640,000. Shengran Gas did not engage any significant business activities and held a road transportation operation permit of dangerous goods.

The net assets acquired by the Group in the above transaction are as follows:-

	2017 HK\$'000
Intangible assets	640
<b>Total consideration satisfied by:</b>	
Cash	640
<b>Net cash outflow arising on acquisition</b>	
Cash consideration paid	(640)

- (b) On 10 November 2016, the Group acquired 97% equity interest of Shanghai YaDong Hong Hua Ji Zhuang Xiang Yun Shu Co., Ltd.\* (上海亞東宏華集裝箱運輸有限公司) ("Shanghai Yadong") at a total consideration of HK\$2,337,000. Pursuant to the share transfer agreement, the non-controlling interest does not (i) involve in the operation; (ii) entitle any profit sharing; and (iii) bear the business risk of Shanghai Yadong. Prior to completion of the acquisition, Shanghai Yadong had carried on any significant business activities and held a road transportation operation permit of dangerous goods.

The net assets acquired by the Group in the above transaction are as follows:-

	2016 HK\$'000
Intangible assets	2,337
<b>Total consideration satisfied by:</b>	
Cash	2,103
Consideration payables (included in other payables)	234
	2,337
<b>Net cash outflow arising on acquisition</b>	
Cash consideration paid	(2,103)
Less: Cash and cash equivalents acquired	-
	(2,103)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 39. DISPOSAL OF SUBSIDIARIES

The ACE and SLL Disposal as mentioned in note 14 to the consolidated financial statement were completed on 7 August 2017 and the considerations were settled in cash.

The carrying amount of the net assets de-recognised in respect of ACE and SLL were as follows:–

	2017 HK\$'000
<b>Carrying amount of the net assets de-recognised:</b>	
Investment properties	66,000
Plant and equipment	21
Deposits and other receivables	47
Cash and bank balances	1,136
Deposit received	(140)
Deferred tax liabilities	(378)
	<b>66,686</b>
<b>Consideration received:</b>	
Cash consideration	67,200
<b>Gain on disposal of subsidiaries:</b>	
Consideration received	67,200
Carrying amount of net assets de-recognised	(66,686)
	<b>514</b>

Analysis of net outflow of cash and cash equivalents in respect of the ACE and SLL Disposal:–

	2017 HK\$'000
Cash consideration	67,200
Cash and cash equivalents disposed of	(1,136)
<b>Net inflow of cash and cash equivalents</b>	<b>66,064</b>

The Group recognised a gain of approximately HK\$514,000 as a result of recognising the disposal and the gain was included in the consolidated statement of profit or loss for the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

### Investments in subsidiaries

	2017 HK\$'000	2016 HK\$'000
Unlisted shares, at cost	462,945	462,945

Particulars of the Company's principal subsidiaries at 31 December 2017 are as follows:–

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
China LNG Limited	Hong Kong	HK\$40,000,000	100.00%	–	Investment holdings
Key Fit	Hong Kong	HK\$700,000,000	60.42%	–	Investment holdings and trading of securities
China Hong Kong Capital Finance Limited	Hong Kong	HK\$14,000,000	–	60.42%	Financial service through provision of money lending business
China Hong Kong Capital Asset Management Company Limited	Hong Kong	HK\$400,000,000	–	60.42%	Provision of securities brokerage and trading, margin financing and securities investments
港能國際融資租賃有限公司 <sup>5</sup> (China LNG Finance Leasing Co., Ltd.)*	PRC	US\$165,000,000 (Paid up US\$60,000,000)	–	60.42%	Finance leasing services for LNG vehicles and equipment
港宇供應鏈管理(上海)有限公司 <sup>1</sup> (Formerly known as 港能綠恩格設備租賃服務(上海)有限公司 Great Trend Investment Management (Shanghai) Co., Ltd.)*	PRC	US\$10,000,000 (Paid up US\$2,136,000)	–	60.42%	LNG vehicles services and new energy related business
港強天然氣上海有限公司 <sup>2</sup> (Gangqiang Natural Gas Shanghai Co., Ltd.)* ("Gangqiang")	PRC	RMB100,000,000 (Paid up RMB15,000,000)	–	60.00%	Development and operation of oil-to-gas conversion and LNG refuelling facilities on floating barges, development of LNG related technologies, operation of LNG refuelling stations, trading of gas ignition equipment and utilisation of new energy sources
CLNG Investment <sup>1</sup>	PRC	US\$100,000,000 (Paid up US\$31,650,000)	–	100.00%	Investment holdings
上海港宏融資租賃有限公司 <sup>5</sup> (Shanghai Ganghong Finance Leasing Co., Ltd.)* ("Ganghong")	PRC	US\$10,000,000 (Paid up US\$375,000)	–	100.00%	Finance leasing services for LNG vessels
山東港能能源有限公司 <sup>3</sup> (CLNG Shandong Energy Co., Ltd.)*	PRC	RMB10,000,000	–	100.00%	LNG supply and management

\* For identification purposes only

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
浙江港能天然氣利用有限公司 <sup>3</sup> (Zhejiang CLNG Natural Gas., Ltd.)*	PRC	RMB50,000,000 (Paid up RMB15,000,000)	–	100.00%	Construction and operation of natural gas filling stations and LNG supply
河北天道能源儲運有限公司 <sup>4</sup> (Hebei Tiandao Energy Storage Transportation Co., Ltd.)* ("Hebei Tiandao")	PRC	RMB61,230,000 (Paid up RMB53,230,000)	–	51.00%	Investment, development, management and operation of LNG storage and transportation projects
港能天然氣有限責任公司 <sup>3</sup> (CLNG National Gas Co., Ltd.)* ("CLNG Natural Gas")	PRC	RMB300,000,000 (Paid up RMB151,485,803)	–	100.00%	Investment holding
陝西港通能源有限公司 <sup>3</sup> (Shaanxi Gangtong Neng Yuan Co., Ltd.)*	PRC	RMB30,000,000	–	100.00%	Wholesale of ethanol and liquefied petroleum gas and LNG supply and management
Hebei Dezhong <sup>4</sup>	PRC	RMB9,590,300 (Paid up RMB8,660,640)	–	65.00%	Sales and distribution of LNG, LNG supply and management
湖北港順天然氣有限公司 <sup>4</sup> (Hubei Gangshun Tian Ran Qi Co., Ltd.)* ("Hubei Gangshun")	PRC	RMB12,000,000 (Paid up RMB12,000,000)	–	60.00%	Sales and distribution of LNG, LNG supply and management
寧波港燃汽車銷售有限公司 <sup>3</sup> (Ningbo Gangran Vehicles Trading Co., Ltd.)*	PRC	RMB 10,000,000 (Paid up RMBNil)	–	100.00%	Sales of LNG vehicles
徐州港能能源有限公司 <sup>4</sup> (CLNG (Xuzhou) Energy Co., Ltd.)*	PRC	RMB 10,000,000 (Paid up RMB 4,850,000)	–	55.00%	Sales and distribution of LNG, LNG supply and management
港宏天然氣無錫有限公司 <sup>4</sup> (Ganghong Natural Gas Wuxi Co. Ltd.)*	PRC	RMB 30,000,000 (Paid up RMB 1,500,000)	–	51.00%	Sales and distribution of LNG, LNG supply and management
港能(天津)貿易有限公司 <sup>4</sup> (CLNG (Tianjin) Trading Co., Ltd.)*	PRC	RMB 10,000,000 (Paid up RMB 5,000,000)	–	51.00%	Provision on LNG logistic services
六安市港能天然氣有限公司 <sup>4</sup> (CLNG (Liu An Shi) Co. Ltd.)*	PRC	RMB 10,000,000 (Paid up RMB 5,000,000)	–	60.00%	Sales and distribution of LNG, LNG supply and management
Shandong Aohai <sup>4</sup>	PRC	RMB 10,000,000 (Paid up RMB 6,004,920)	–	60.00%	Sales and distribution of LNG, LNG supply and management
河南港運新能源有限公司 <sup>4</sup> (Hanan Gangyun Energy Co., Ltd.)*	PRC	RMB 10,000,000 (Paid up RMB 3,223,000)	–	55.00%	Sales and distribution of LNG, LNG supply and management

\* For identification purposes only

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
港匯天然氣銷售河北有限公司 <sup>4</sup> (Ganghui Natural Gas Trading Hebei Co., Ltd.)*	PRC	RMB 10,000,000 (Paid up RMB 1,250,000)	–	60.00%	Sales and distribution of LNG, LNG supply and management
陝西港能物流有限公司 <sup>3</sup> (CLNG (Shanxi) Logistic Co., Ltd.)*	PRC	RMB 50,000,000 (Paid up RMB 21,500,000)	–	100.00%	Provision on LNG logistic services
Qingdao Aobo <sup>4</sup>	PRC	RMB 6,122,400 (Paid up RMB 5,000,000)	–	51.00%	Sales and distribution of LNG, LNG supply and management
港能(天津)能源有限公司 <sup>3</sup> (CLNG Tianjin Energy Co. Ltd.)*	PRC	RMB 410,000,000 (Paid up RMB 292,947,743)	–	100%	Investment holding
港能(上海)天然氣能源有限公司 <sup>3</sup> (CLNG Shanghai Natural Gas Energy Co., Ltd.)*	PRC	RMB 50,000,000 (Paid up RMB 10,800,000)	–	100%	Investment holding
Shanghai Yadong <sup>4</sup>	PRC	RMB 10,000,000 (Paid up RMB 970,000)	–	97%	Provision on LNG logistic services
四川港能能源有限公司 <sup>3</sup> (CLNG Sichuan Energy Co., Ltd.)*	PRC	RMB 50,000,000 (Paid up RMB 200,000)	–	100%	Sales and distribution of LNG supply and management
四川港能達能源有限公司 <sup>4</sup> (CLNG Tak Sichuan Energy Co., Ltd.)*	PRC	RMB 5,000,000 (Paid up RMBNil)	–	51%	Sales and distribution of LNG supply and management
寧波港福天然氣有限公司 <sup>4</sup> (Ningbo Gangfu Natural Gas Co., Ltd.)*	PRC	RMB 10,000,000	–	99%	Sales and distribution of LNG supply and management
Shengran Gas <sup>3</sup>	PRC	RMB 5,000,000	–	100%	Trading of natural gas and transportation
河北港盛能源有限公司 <sup>3</sup> (Hebei Gangsheung Energy Co., Ltd.)*	PRC	RMB 10,000,000 (Paid up RMB 4,000,000)	–	100%	Sales and distribution of LNG supply and management
河北港瑞天然氣有限公司 <sup>4</sup> (Hebei Gangrui Natural Gas Co., Ltd.)*	PRC	RMB 20,000,000 (Paid up RMBNil)	–	80%	Sales and distribution of LNG supply and management
港能天然氣鄆城有限公司 <sup>3</sup> (CLNG Haocheng Natural Gas Co., Ltd.)*	PRC	RMB 10,000,000 (Paid up RMB 4,050,000)	–	100%	Sales and distribution of LNG supply and management
港能(湖北)能源有限公司 <sup>3</sup> (CLNG Hubei Energy Co., Ltd.)* ("CLNG Hubei Energy")	PRC	RMB 10,000,000	–	100%	Sales and distribution of LNG supply and management
湖北鼎環新能源有限公司 <sup>3</sup> (Hubei Dinghuan New Energy Co., Ltd.)*	PRC	RMB 10,000,000 (Paid up RMB 1,039,067)	–	100%	Sales and distribution of LNG supply and management

\* For identification purposes only

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Issued and fully paid share capital/registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
江蘇港易達能源有限公司 <sup>3</sup> (Jiangsu Gangyida Energy Co., Ltd.)*	PRC	RMB 10,000,000 (Paid up RMB 2,000,000)	-	100%	Investment holding
港能(深圳)能源有限公司 <sup>3</sup> (CLNG Shenzhen) Energy Co., Ltd.)*	PRC	RMB 20,000,000 (Paid up RMB 5,000,000)	-	100%	Investment holding
上海港能能源有限公司 <sup>3</sup> (Shanghai Gangneng Energy Co., Ltd.)*	PRC	USD 180,000,000	-	100%	Consultancy service on LNG
寧波港林天然氣利用有限公司 <sup>3</sup> (Ningbo Ganglin Co., Ltd.)*	PRC	RMB 50,000,000 (Paid up RMB 10,000,000)	-	100%	Sales and distribution of LNG supply and management

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

- 1 They are wholly foreign owned enterprises under the PRC laws.
- 2 Gangqiang is registered as a cooperative joint venture under the PRC laws.
- 3 They are wholly-owned domestic enterprises indirectly held by the Company's subsidiaries.
- 4 They are non-wholly-owned domestic enterprises indirectly held by the Company's subsidiaries.
- 5 They are non-wholly-owned foreign owned enterprises under the PRC laws.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

The following table lists out the information relating to Key Fit Group, Hebei Tiandao and Hubei Gangshun, the subsidiaries of the Company which have material non-controlling interests ("NCI") in 2017. The summarised financial information presented below represents the amounts before any inter-company elimination:

	At 31 December 2017		
	Key Fit Group (Consolidated)	Hebei Tiandao	Hubei Gangshun
NCI Percentage	39.58%	49.00%	40.00%
	HK\$'000	HK\$'000	HK\$'000
<b>Gross amount</b>			
Current assets	1,163,623	63,504	16,981
Non-current assets	121,882	18,056	28,693
Current liabilities	(206,365)	(23)	(36,466)
Net assets	1,079,140	81,537	9,208
<b>Reconciliation</b>			
Gross amount of equity	N/A	N/A	N/A
Contributed share capital by the Group	N/A	N/A	N/A
	N/A	N/A	N/A
Carrying amount of NCI	427,124	39,953	3,683

	For the year ended 31 December 2017		
	Key Fit Group (Consolidated) HK\$'000	Hebei Tiandao HK\$'000	Hubei Gangshun HK\$'000
Revenue	(43,032)	-	42,579
Loss for the year	(55,043)	(50)	(4,506)
Total comprehensive loss	(72,085)	(3,202)	(3,959)
Loss allocated to NCI	(21,786)	(25)	(1,802)
Cash flows (used in)/from operating activities	(173,209)	(8,150)	15,038
Cash flows from/(used in) investing activities	19,769	(1,024)	(22,764)
Cash flows (used in)/from financing activities	(65,800)	8,140	6,977

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

The following table lists out the information relating to Key Fit Group, Gangqiang, Hebei Tiandao, Hebei Dezhong and Hubei Gangshun, the subsidiaries of the Company which have non-controlling interests ("NCI") in 2016. The summarised financial information presented below represents the amounts before any inter-company elimination:

	At 31 December 2016				
	Key Fit Group (Consolidated)	Gangqiang	Hebei Tiandao	Hebei Dezhong	Hubei Gangshun
NCI Percentage	39.58%	40.00%	49.00%	35.00%	40.00%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Gross amount</b>					
Current assets	1,371,893	3,678	69,085	5,800	1,697
Non-current assets	11,783	12,349	15,805	11,196	4,825
Current liabilities	(166,651)	(75)	(151)	(7,505)	(332)
Net assets	1,217,025	15,952	84,739	9,491	6,190
<b>Reconciliation</b>					
Gross amount of equity	N/A	15,952	N/A	N/A	N/A
Contributed share capital by the Group	N/A	(17,906)	N/A	N/A	N/A
	N/A	(1,954)	N/A	N/A	N/A
Carrying amount of NCI	481,698	(781)	41,522	3,322	2,476

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

	Key Fit Group (Consolidated) Period from 17.5.2016 to 31.12.2016 HK\$'000	Gangqiang For the year ended 31.12.2016 HK\$'000	Hebei Tiandao Period from 22.7.2016 to 31.12.2016 HK\$'000	Hebei Dezhong Period from 9.8.2016 to 31.12.2016 HK\$'000	Hubei Gangshun Period from 8.8.2016 to 31.12.2016 HK\$'000
Revenue	169,414	–	982	1,699	188
Profit/(loss) for the period/year	155,755	(725)	181	(1,278)	(532)
Total comprehensive income/(loss)	155,755	(1,845)	(3,774)	(1,721)	(821)
Profit/(loss) allocated to NCI	61,647	(290)	89	(447)	(213)
Cash flows (used in)/from operating activities	(218,207)	(584)	(37,021)	2,131	(923)
Cash flows from/(used in) investing activities	1,528	(7,077)	(15,300)	(11,392)	(5,050)
Cash flows (used in)/from financing activities	(52,172)	–	53,635	10,120	7,013

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company at 31 December 2017 is as follows:–

	Note	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Investments in subsidiaries	40	462,945	462,945
Current assets			
Amounts due from subsidiaries		536,653	536,653
Prepayments		209	1,195
Bank balances		321	74
		537,183	537,922
Current liabilities			
Amounts due to subsidiaries		311,676	318,144
Accrued charges and other payables		88	1,968
Amount due to a shareholder		–	38,015
Loan from a shareholder		30,284	–
		342,048	358,127
Net current assets		195,135	179,795
Net assets		658,080	642,740
Capital and reserves			
Share capital	31(a)	112,322	112,774
Reserves	32(b)	545,758	529,966
Total equity		658,080	642,740

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

## 42. 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 14).

## 43. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (i) On 16 January 2018, CLNG Natural Gas, an indirect wholly-owned subsidiary of the Company, and Zhonghai Trust, a state-owned non-banking financial institution entered into a three years' subscription agreement for subscribing the trust products of Zhonghai Trust amounting to RMB100,000,000 as a deposit of the cooperation agreement between CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch and the Company to be performed.
- (ii) On 29 January 2018, the Company and Macquarie Bank Limited ("Macquarie") entered into the Subscription Agreement pursuant to which the Company had conditionally agreed to issue and Macquarie had conditionally agreed to subscribe for the Convertible Notes in an aggregate principal amount of HK\$800,000,000. The principal to be settled in cash, which would be used as working capital of the Group.

The completion of the Subscription Agreement took place on 20 February 2018 and the Convertible Notes were issued by the Company to Macquarie pursuant to the Subscription Agreement on the same date.

On 22 February 2018, Macquarie exercised its conversion rights attached to the Convertible Notes in relation to the conversion of an aggregate principal amount of HK\$14,000,000 of the Convertible Notes and an aggregate of 11,180,000 Shares were allotted and issued to Macquarie.

- (iii) On 13 February 2018, CLNG Natural Gas, an indirect wholly-owned subsidiary of the Company, and four individuals entered into an equity transfer agreement, pursuant to which CLNG Natural Gas agreed to purchase and each of the four individuals respectively agreed to sell 11.9%, 8.9%, 8.9% and 5.3% equity interests in Hebei Dezhong, a non-wholly owned subsidiary of the Company at a consideration of RMB8,520,000. On the same day, CLNG Hubei Energy, an indirect wholly-owned subsidiary of the Company, and Hubei Guoshun New Energy Co., Ltd.\* (湖北國順新能源有限公司) ("Hubei Guoshun") entered into an equity transfer agreement, pursuant to which CLNG Hubei Energy agreed to purchase and Hubei Guoshun agreed to sell 40% equity interests in Hubei Gangshun at a consideration of RMB8,650,000.

Upon completion, Hebei Dezhong and CLNG Hubei Energy will become indirect wholly-owned subsidiaries of the Company.

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

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

# Financial Summary

	For the year ended 31 December				2017 HK\$'000
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	
<b>RESULTS</b>					
Revenue	24,831	357,893	30,847	200,711	<b>897,672</b>
Profit/(loss) before taxation	22,474	351,389	401,571	155,141	<b>(135,132)</b>
Taxation	(1,874)	(57,657)	(557)	(2,332)	<b>(16,935)</b>
Profit/(loss) for the year	20,600	293,732	401,014	152,809	<b>(152,067)</b>
Attributable to:-					
Equity shareholders of the Company	20,600	293,732	401,059	92,023	<b>(123,729)</b>
Non-controlling interests	-	-	(45)	60,786	<b>(28,338)</b>
Profit/(loss) for the year	20,600	293,732	401,014	152,809	<b>(152,067)</b>
	At 31 December				2017 HK\$'000
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	
<b>ASSETS AND LIABILITIES</b>					
Total assets	256,551	549,329	1,122,619	1,627,362	<b>1,588,160</b>
Total liabilities	(1,596)	(57,028)	(274,748)	(245,084)	<b>(343,746)</b>
Total equity	254,955	492,301	847,871	1,382,278	<b>1,244,414</b>