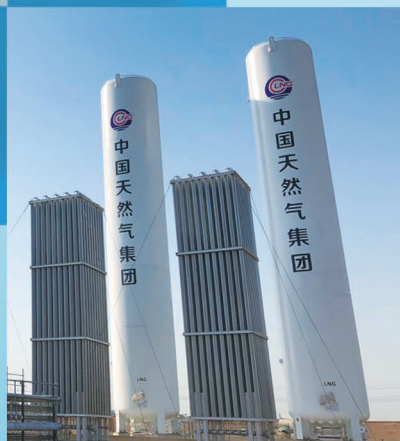


中國天然氣集團有限公司 CHINA LNG GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

Interim Report 2019



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Kan Che Kin, Billy Albert (*Chairman*)
Mr. Li Kai Yien, Arthur Albert
Mr. Lam Yu Yeung
(appointed on 2 September 2019)

Non-Executive Directors

Mr. Simon Murray
Dr. Lam, Lee G.

Independent Non-Executive Directors

Mr. Li Siu Yui
Mr. Lam Lum Lee
Dr. Li Yao (appointed on 20 June 2019)
Mr. Chow Ching Ning
(appointed on 2 September 2019)

AUDIT COMMITTEE

Mr. Li Siu Yui (*Chairman*)
Mr. Lam Lum Lee
Mr. Chow Ching Ning
(appointed on 2 September 2019)

REMUNERATION COMMITTEE

Mr. Li Siu Yui (*Chairman*)
Dr. Kan Che Kin, Billy Albert
Mr. Chow Ching Ning
(appointed on 2 September 2019)

NOMINATION COMMITTEE

Mr. Li Siu Yui (*Chairman*)
Dr. Kan Che Kin, Billy Albert
Mr. Chow Ching Ning
(appointed on 2 September 2019)

COMPANY SECRETARY

Mr. Lam Yu Yeung

INDEPENDENT AUDITORS

Ernst & Young

AUTHORISED REPRESENTATIVES

Dr. Kan Che Kin, Billy Albert
Mr. Li Kai Yien, Arthur Albert

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

WEBSITE

chinalng.todayir.com

STOCK CODE

931

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019

| | | Six months ended 30 | |
|--|------|--|---|
| | | September 2019 (Unaudited) HK\$'000 | June 2018 (Unaudited) HK\$'000 |
| <i>Notes</i> | | | |
| Continuing operations | | | |
| Revenue | 4 | 1,024,666 | 805,653 |
| Cost of sales | | (1,026,226) | (763,220) |
| Gross (loss)/profit | | (1,560) | 42,433 |
| Other income and gains | | 5,874 | 11,258 |
| Share of results of associates | | 236 | (208) |
| Share of results of joint ventures | | (8) | — |
| Reversal of impairment of LNG finance lease receivables | | 23,389 | — |
| Reversal of impairment of receivables under LNG finance lease arrangement | | 16,065 | — |
| Selling and distribution expenses | | (11,054) | (14,467) |
| Administrative expenses | | (70,415) | (65,817) |
| Finance costs | 6(a) | (19,168) | (5,496) |
| Loss before taxation | 6 | (56,641) | (32,297) |
| Taxation | 7 | (1,391) | (1,491) |
| Loss for the period | | (58,032) | (33,788) |
| Attributable to: – | | | |
| Equity shareholders of the Company | | (65,208) | (36,260) |
| Non-controlling interests | | 7,176 | 2,472 |
| Loss for the period | | (58,032) | (33,788) |
| (Loss)/earnings per share (HK cents) | 9 | | |
| – Basic | | (1.155) | (0.644) |
| – Diluted | | (1.155) | (0.644) |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

| | Six months ended 30 | |
|---|--|---|
| | September 2019 (Unaudited) HK\$'000 | June 2018 (Unaudited) HK\$'000 |
| Loss for the period | (58,032) | (33,788) |
| Other comprehensive (loss)/income for the period, net of tax: – | | |
| Items that may be subsequently reclassified to profit or loss: – | | |
| Exchange differences on translating foreign operations | (71,623) | (29,576) |
| Release of exchange differences upon disposal of a subsidiary | (389) | — |
| Total comprehensive loss for the period | (130,044) | (63,364) |
| Total comprehensive loss for the period attributable to: – | | |
| Equity shareholders of the Company | (119,355) | (60,580) |
| Non-controlling interests | (10,689) | (2,784) |
| | (130,044) | (63,364) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

| | Notes | 30 September 2019 (Unaudited) HK\$'000 | 31 March 2019 (Audited) HK\$'000 |
|---|-------|---|---|
| Non-current assets | | | |
| Plant and equipment | 10 | 661,123 | 613,703 |
| Right-of-use assets | | 53,539 | — |
| Prepaid land lease payments | | — | 37,721 |
| Goodwill | | 877 | 930 |
| Other intangible assets | | 5,905 | 9,086 |
| Interest in joint ventures | | 125,103 | 132,019 |
| Interest in associates | | 16,397 | 16,161 |
| Deposits for acquisition of plant and equipment | | 64,413 | 179,337 |
| Deposits for acquisition of land use rights | | 84,826 | 89,991 |
| Other assets | | 305,271 | 305,271 |
| Receivables under LNG finance lease arrangements | 11 | 4,911 | 9,165 |
| Statutory deposits | | 250 | 250 |
| | | 1,322,615 | 1,393,634 |
| Current assets | | | |
| Inventories | | 36,164 | 21,242 |
| Receivables under LNG finance lease arrangements | 11 | 9,180 | 8,082 |
| LNG finance lease receivables | 12 | 29,747 | 8,447 |
| Loan receivables | 13 | 158,359 | 186,804 |
| Accounts and other receivables | 14 | 351,730 | 350,177 |
| Right-of-use assets | | 1,843 | — |
| Deferred tax assets | | 29 | — |
| Bank balances and cash | | 56,923 | 115,635 |
| | | 643,975 | 690,387 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

| | Notes | 30 September 2019 (Unaudited) HK\$'000 | 31 March 2019 (Audited) HK\$'000 |
|--|-------|---|---|
| Current liabilities | | | |
| Accounts and other payables | 15 | 619,465 | 627,464 |
| Bank borrowings | 16 | 71,591 | 50,244 |
| Lease liabilities | | 7,455 | — |
| Income tax payable | | 6,983 | 3,319 |
| | | 705,494 | 681,027 |
| Net current (liabilities)/assets | | (61,519) | 9,360 |
| Non-current liabilities | | | |
| Obligations under finance lease | 17 | 2,874 | 4,736 |
| Loans from a shareholder | 15 | 474,639 | 493,922 |
| Lease liabilities | | 9,936 | — |
| Deferred tax liabilities | | 3,262 | 3,907 |
| | | 490,711 | 502,565 |
| Net assets | | 770,385 | 900,429 |
| Capital and reserves | | | |
| Share capital | | 112,876 | 112,876 |
| Reserves | | 225,577 | 344,932 |
| Equity attributable to equity shareholders of the Company | | 338,453 | 457,808 |
| Non-controlling interests | | 431,932 | 442,621 |
| Total equity | | 770,385 | 900,429 |

The notes on pages 9 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

Attributable to owners of the Company

| | Share capital HK\$'000 | Share premium HK\$'000 | Special reserve HK\$'000 | Exchange reserve HK\$'000 | Retained profits/ (Accumulated loss) HK\$'000 | Total HK\$'000 | Non- controlling interests HK\$'000 | Total HK\$'000 |
|---|------------------------------|------------------------------|--------------------------------|---------------------------------|---|-------------------|--|-------------------|
| At 1 January 2018 (restated) | 112,322 | 401,279 | 9,370 | 6,631 | 191,176 | 720,778 | 482,276 | 1,203,054 |
| Loss for the period | — | — | — | — | (254,328) | (254,328) | (305) | (254,633) |
| Other comprehensive expenses for the period, net of tax: | | | | | | | | |
| Exchange differences on translation of foreign operation | — | — | — | (21,338) | — | (21,338) | (7,008) | (28,346) |
| Total comprehensive expenses for the period | — | — | — | (21,338) | (254,328) | (275,666) | (7,313) | (282,979) |
| Disposal of a subsidiary (note 21) | — | — | — | — | — | — | (39,953) | (39,953) |
| Acquisition of additional interests in subsidiaries (note 22) | — | — | (20,964) | — | — | (20,964) | (1,337) | (22,301) |
| Capital contribution from non- controlling interests | — | — | — | — | — | — | 8,948 | 8,948 |
| Conversion of convertible note (note 19) | 554 | 33,106 | — | — | — | 33,660 | — | 33,660 |
| At 31 March 2019 and 1 April 2019 (Audited) | 112,876 | 434,385 | (11,594) | (14,707) | (63,152) | 457,808 | 442,621 | 900,429 |
| Loss for the period | — | — | — | — | (65,208) | (65,208) | 7,176 | (58,032) |
| Other comprehensive expenses for the period, net of tax: | | | | | | | | |
| Exchange differences on translation of foreign operation | — | — | — | (54,482) | — | (54,482) | (17,141) | (71,623) |
| Disposal of a subsidiary (note 21) | — | — | — | 335 | — | 335 | (724) | (389) |
| Total comprehensive expenses for the period | — | — | — | (54,147) | (65,208) | (119,355) | (10,689) | (130,044) |
| At 30 September 2019 | 112,876 | 434,385 | (11,594) | (68,854) | (128,360) | 338,453 | 431,932 | 770,385 |

The notes on pages 9 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

| | 30 September 2019 (Unaudited) HK\$'000 | 30 March 2019 (Audited) HK\$'000 |
|---|---|---|
| NET CASH USED IN OPERATING ACTIVITIES | (103,035) | (132,991) |
| NET CASH USED IN INVESTING ACTIVITIES | (132,100) | (747,660) |
| NET CASH FROM FINANCING ACTIVITIES | 173,329 | 626,127 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (61,806) | (254,524) |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET | 6,080 | (9,250) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 100,388 | 364,162 |
| | 44,662 | 100,388 |
| BANK BALANCE HELD ON BEHALF OF CLIENTS | 12,261 | 15,247 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BALANCES AND CASH | 56,923 | 115,635 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(continued)*

(a) Statement of compliance *(continued)*

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the fifteen months period ended 31 March 2019, except for the standards, amendments and interpretations (hereinafter collectively referred to as “**Hong Kong Financial Reporting Standards**” or “**HKFRSs**”) issued by the HKICPA applicable to the annual period beginning on 1 April 2019. Details of these significant accounting policies change are set out in note 3.

(b) New standards and amendments to standards adopted by the Group as at 1 April 2019

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

| | |
|--|--|
| HKFRS 16 | Leases |
| HKAS 19 (Amendments) | Plan Amendment, Curtailment or Settlement |
| HKAS 28 (Amendments) | Long-term Interests in an Associate or Joint Venture |
| HKFRS 9 (Amendments) | Prepayment Features with Negative Compensation |
| Annual Improvements to 2015-2017 Cycle | Improvements to HKFRS |
| HK (IFRIC) 23 | Uncertainty over Income Tax Treatments |

Save for the impact of adoption of HKFRS 16 disclosed in note 3, the adoption of other new and amended standards does not have any significant impact to the results and financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 April 2019 in note 3(a) below.

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 April 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the reporting period of 2018. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

(a) Adjustments recognised on adoption on HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

| | 2019 HK\$'000 |
|--|--------------------------|
| Operating lease commitments disclosed as at 31 March 2019 | 27,386 |
| Discount using the lessee's incremental borrowing rate of at the date of initial application | 20,186 |
| (Less): short-term leases and low-value leases recognised on a straight-line basis as expense | (2,765) |
| Lease liabilities recognised as at 1 April 2019 | 17,421 |
| Of which are: | |
| Current lease liabilities | 5,188 |
| Non-current lease liabilities | 12,233 |
| | 17,421 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) Adjustments recognised on adoption on HKFRS 16 *(continued)*

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The land used rights are reclassified to right-of-use assets as of 1 April 2019.

The recognised right-of-use assets mainly relate to properties and land use rights.

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

| At 1 April 2019 | Land Used Rights <i>HK\$'000</i> | Right-of-use assets <i>HK\$'000</i> | Lease liabilities <i>HK\$'000</i> |
|---|--|---|---|
| Opening balance | 37,721 | – | – |
| Reclassify from land use rights to right-of-use assets | (37,721) | 37,721 | – |
| Recognised lease liabilities and right-of-use assets | – | 17,913 | 17,421 |
| Opening balance – HKFRS 16 | – | 55,634 | 17,421 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) Adjustments recognised on adoption on HKFRS 16 *(continued)*

No significant impact on the Group's net profit after tax for the six months ending 30 September 2019 as a result of adoption of HKFRS 16.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term lease
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

(b) The Group's leasing activities and how these are accounted for

The Group mainly leases various offices for both short-term and long-term contracts. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) The Group's leasing activities and how these are accounted for *(continued)*

Until the 2018 financial year, leases of properties were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) The Group's leasing activities and how these are accounted for *(continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets consist of properties and land use rights.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE FROM CONTINUING OPERATIONS

Revenue represents the aggregate of income from the LNG businesses in the PRC, income/(loss) from trading of securities, income from provision of securities brokerage, bond placing, margin financing and securities investments in Hong Kong and income from financial services through provision of money lending business in Hong Kong, and is analysed as follows:-

| | Six months ended 30 | |
|---|----------------------------|-------------|
| | September | June |
| | 2019 | 2018 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Sales and distribution of LNG | 969,751 | 774,985 |
| Provision of LNG logistic services | 41,700 | 6,892 |
| Interest income from LNG finance lease arrangements | 1,895 | 2,505 |
| LNG finance leases interest income | — | 2,743 |
| Service fee income from leasing of LNG vehicles | — | 89 |
| Interest income from loan financing | 8,644 | 10,872 |
| Interest income from securities margin financing | 2,543 | 2,523 |
| Services fee income | 93 | 93 |
| Brokerage income | 40 | 701 |
| Bond placing commission income | — | 4,250 |
| | 1,024,666 | 805,653 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION

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

The Group's principal activities are as follows:

- (1) Sales and distribution of LNG including wholesale of LNG and point-to-point supply of LNG;
- (2) Provision of LNG logistic services;
- (3) Financial provision through finance leasing services for LNG vehicles, vessels and equipment;
- (4) Provision of LNG in the midstream and downstream market through fuelling/refuelling of LNG in road refuelling stations for commercial vehicles and water refuelling stations for vessels and specifically 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, bond placing, margin financing and securities investments in Hong Kong; and
- (8) Financial services through provision of money lending business.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(continued)*

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

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

| | 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, bond placing, margin financing and securities investments | | Financial services through provision of money lending business | | Consolidated for continuing operations | |
|---|-------------------------------|-----------|------------------------------------|-----------|--|-----------|---|-----------|---|-----------|-----------------------|-----------|--|-----------|--|-----------|--|-----------|
| | September 2019 | June 2018 | September 2019 | June 2018 | September 2019 | June 2018 | September 2019 | June 2018 | September 2019 | June 2018 | September 2019 | June 2018 | September 2019 | June 2018 | September 2019 | June 2018 | September 2019 | June 2018 |
| | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 | HKS'000 |
| REVENUE | | | | | | | | | | | | | | | | | | |
| External | 969,751 | 774,985 | 41,700 | 6,892 | 1,895 | 5,337 | – | – | – | – | – | – | 2,676 | 7,567 | 8,644 | 10,872 | 1,024,666 | 805,563 |
| RESULTS | | | | | | | | | | | | | | | | | | |
| Segment results | (32,286) | (5,320) | (29,655) | (14,826) | (2,629) | 1,657 | (172) | (709) | (76) | (1,586) | (1,374) | (4,131) | (252) | 2,194 | 8,581 | 10,858 | (57,863) | (11,863) |
| Other income and gains | | | | | | | | | | | | | | | | | 1,654 | 3,749 |
| Finance costs | | | | | | | | | | | | | | | | | (19,168) | (5,496) |
| Reversal of impairment of LNG finance lease receivables | | | | | | | | | | | | | | | | | 23,389 | – |
| Reversal of impairment of receivables under LNG finance lease arrangement | | | | | | | | | | | | | | | | | 16,065 | – |
| Share of results of joint ventures | | | | | | | | | | | | | | | | | (8) | – |
| Share of results of associates | | | | | | | | | | | | | | | | | 236 | (208) |
| Gain on disposal of subsidiaries | | | | | | | | | | | | | | | | | 3,383 | – |
| Unallocated corporate expenses | | | | | | | | | | | | | | | | | (24,329) | (18,479) |
| Loss before taxation | | | | | | | | | | | | | | | | | (56,641) | (32,297) |
| Taxation | | | | | | | | | | | | | | | | | (1,291) | (1,491) |
| Loss for the period | | | | | | | | | | | | | | | | | (58,032) | (33,788) |

The Group's operations of the development of LNG businesses including the sales and distribution of LNG, 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 six months ended 30 September 2019 and 30 June 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

| | Six months ended 30 September 2019 (Unaudited) HK\$'000 | Six months ended 30 June 2018 (Unaudited) HK\$'000 |
|--|--|---|
| Loss before taxation has been arrived at after charging/(crediting):– | | |
| (a) Finance costs | | |
| Interest expense on loans from a shareholder | 12,954 | 2,745 |
| Interest expense on convertible notes | — | 2,190 |
| Interest on bank loans | 1,467 | — |
| Interest expense on loan from a third party | 1,828 | 561 |
| Interest expense on finance lease | 1,140 | — |
| Others | 1,779 | — |
| | 19,168 | 5,496 |
| (b) Other items | | |
| Amortisation of land use rights | 377 | 23 |
| Amortisation of other intangible assets | 202 | 157 |
| Depreciation of plant and equipment | 25,037 | 14,292 |
| Loss on disposal of plant and equipment | 2,920 | 1,031 |
| Staff costs:– | | |
| Directors' remuneration | 380 | 855 |
| Staff cost excluding directors' remuneration | 68,670 | 36,364 |
| Retirement benefits scheme contribution, excluding those included in directors' remuneration | 8,218 | 8,401 |
| Total staff costs | 77,268 | 45,620 |
| Interest income on bank deposits | (160) | (403) |
| Gain on disposal of subsidiaries | (3,383) | (3,578) |
| Fair value gain on financial assets at fair value through profit or loss | – | (3,729) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. TAXATION FROM CONTINUING OPERATIONS

| | Six months ended 30 September 2019 (Unaudited) HK\$'000 | Six months ended 30 June 2018 (Unaudited) HK\$'000 |
|---------------------------|--|---|
| Hong Kong Profits Tax | 1,416 | 860 |
| PRC Enterprise Income Tax | (25) | 631 |
| | 1,391 | 1,491 |

Provision of Hong Kong Profits Tax and PRC Enterprise Income Tax were calculated at 16.5% and 25% respectively on the estimated assessable profits for the six months ended 30 September 2019 and 30 June 2018.

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2019 and 30 June 2018.

9. (LOSS)/EARNINGS PER SHARE

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 periods.

The calculation of diluted loss per Share does not assume the conversion of outstanding convertible notes during the previous period which had anti-dilutive effect and would result in a reduction in loss per Share. There was no dilutive instrument at the end of the current period and during the preceding period. Therefore, the diluted loss per Share is same as basic loss per Share during the current and preceding period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. (LOSS)/EARNINGS PER SHARE *(continued)*

The calculation of the basic and diluted (loss)/earnings per Share is based on the following data:-

| | Six months ended 30 September 2019 (Unaudited) HK\$'000 | Six months ended 30 June 2018 (Unaudited) HK\$'000 |
|---|--|---|
| (Loss) for the period attributable to equity shareholders of the Company | (65,208) | (36,260) |
| Number of shares | | |
| Weighted average number of ordinary shares in issue for the purpose of calculation of both basic and diluted (loss)/earnings per Share | 5,643,797,090 | 5,616,123,090 |
| Effect of the conversion of convertible notes | — | 11,827,812 |
| Adjusted weighted average number of ordinary shares in issue for the purpose of calculation of both basic and diluted (loss)/earnings per Share | 5,643,797,090 | 5,627,950,902 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. PLANT AND EQUIPMENT

| | 30 September 2019 (Unaudited) HK\$'000 | 31 March 2019 (Audited) HK\$'000 |
|-------------------------------------|---|---|
| At the beginning of the period/year | 613,703 | 261,086 |
| Additions | 139,315 | 418,155 |
| Business combination | — | 12,849 |
| Disposal of subsidiaries (note 21) | (24,561) | (1,867) |
| Depreciation | (25,037) | (50,598) |
| Disposals | (7,567) | (15,341) |
| Exchange adjustments | (34,730) | (10,581) |
| At end of the period/year | 661,123 | 613,703 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. RECEIVABLES UNDER LNG FINANCE LEASE ARRANGEMENTS

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

| | 30 September 2019 (Unaudited) HK\$'000 | 31 March 2019 (Audited) HK\$'000 |
|--|---|---|
| Within one year | 12,552 | 27,519 |
| In the second to fifth years, inclusive | 4,911 | 9,165 |
| | 17,463 | 36,684 |
| Less: Impairment | (19,437) | (19,437) |
| Plus: Reversal of impairment | 16,065 | — |
| | 14,091 | 17,247 |
| Less: Portion classified as current assets | (9,180) | (8,082) |
| Non-current portion | 4,911 | 9,165 |

The Group entered into finance lease arrangements pursuant to which the lessees sold their vehicles and vessels to the Group and leased back the assets with lease period ranging from 1.5 years to 5 years (31 March 2019: 1.5 year to 5 years) from the date of inception. The ownership of leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and the interest accrued under the finance lease arrangements. The lessees retain control of the assets before and after entering into the arrangements. These finance lease arrangements do not constitute leases for accounting purposes.

At 30 September 2019, the effective interest rates applicable to the finance lease arrangements ranged from approximately 7.74% to 12.48% per annum (31 March 2019: 7.74% to 12.48%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

12. LNG FINANCE LEASE RECEIVABLES

| | Minimum lease payments 30 September 2019 (Unaudited) HK\$'000 | Minimum lease payments 31 March 2019 (Audited) HK\$'000 | Present value of minimum lease payments 30 September 2019 (Unaudited) HK\$'000 | Present value of minimum lease payments 31 March 2019 (Audited) HK\$'000 |
|--|--|---|---|--|
| Within one year | 41,517 | 42,527 | 29,747 | 8,477 |
| In the second to fifth years, inclusive | — | — | — | — |
| | 41,517 | 42,527 | 29,747 | 8,477 |
| Less: Unearned finance income | (7,813) | (6,734) | | |
| Present value of minimum lease payment receivables | 33,704 | 35,793 | | |
| Less: Impairment | (27,346) | (27,346) | | |
| Plus: Reversal of impairment | 23,389 | — | | |
| | 29,747 | 8,447 | | |
| Less: Portion classified as current assets | | | (29,747) | (8,477) |
| Non-current portion | | | — | — |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. LNG FINANCE LEASE RECEIVABLES *(continued)*

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 5 years (31 March 2019: 2 years to 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 the interest accrued under the finance lease contracts. The lessees retain control of the assets after entering into the contracts.

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.

At 30 September 2019, the effective interest rates applicable to the finance lease ranged from approximately 7.24% to 12.82% per annum (31 March 2019: 7.24% to 12.82%).

13. LOAN RECEIVABLES

| | 30 September 2019 (Unaudited) HK\$'000 | 31 March 2019 (Audited) HK\$'000 |
|------------------|---|---|
| Loan receivables | 159,375 | 187,820 |
| Less: Impairment | (1,016) | (1,016) |
| | 158,359 | 186,804 |

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 1% to 15% per annum (31 March 2019: 12% to 18%).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. ACCOUNTS AND OTHER RECEIVABLES

| | 30 September 2019 (Unaudited) HK\$'000 | 31 March 2019 (Audited) HK\$'000 |
|---|---|---|
| Accounts receivables arising from dealing in securities (note 13(a)):- | | |
| Cash clients | 82 | 325 |
| Margin clients | 51,252 | 54,594 |
| Less: Impairment | (4,779) | (4,779) |
| | 46,473 | 49,815 |
| Hong Kong Securities Cleaning Company Limited | 203 | 197 |
| Accounts receivables arising from LNG businesses (note 13(b)) | 70,819 | 84,487 |
| Less: Impairment | (5,055) | (5,055) |
| | 65,764 | 79,432 |
| Total accounts receivables | 112,522 | 129,769 |
| Prepayments, deposits and other receivables | 156,254 | 132,235 |
| Loan to a third party (note 13(c)) | 1,881 | 1,881 |
| Value-added tax recoverable | 81,073 | 86,292 |
| Total accounts and other receivables | 351,730 | 350,177 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. ACCOUNTS AND OTHER RECEIVABLES *(continued)*

Notes:

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

At 30 September 2019, the accounts receivables from margin clients were repayable on demand, interest-bearing at rate of 9.25% (31 March 2019: 9.25%) per annum and secured by clients' securities that are listed on the Stock Exchange with a total market value of approximately HK\$27,639,000 (31 March 2019: HK\$51,909,000).

The accounts receivables arising from dealing in securities at 30 September 2019 and 31 March 2019 were not past due nor impaired. No detailed aged analysis is disclosed as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of securities dealing business.

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

| | 30 September 2019 (Unaudited) HK\$'000 | 31 March 2019 (Audited) HK\$'000 |
|-----------------|---|---|
| Within 3 months | 40,772 | 47,643 |
| 4 to 6 months | 14,671 | 17,787 |
| Over 6 months | 15,376 | 19,057 |
| | 70,819 | 84,487 |

- (c) At 30 September 2019, the loan was unsecured, interest-bearing at 8% per annum and repayable within one year. At 31 March 2019, the loan was unsecured, interest-bearing at 8% per annum and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. ACCOUNTS AND OTHER PAYABLES

| | 30 September 2019 (Unaudited) HK\$'000 | 31 March 2019 (Audited) HK\$'000 |
|--|---|---|
| Accounts payables arising from dealing in securities (note 14(a)):- | | |
| Cash clients | 8,094 | 15,091 |
| Margin clients | 1,864 | 1,752 |
| Accounts payables arising from LNG businesses (note 14(b)) | 79,918 | 60,408 |
| Total accounts payables | 89,876 | 77,251 |
| Accrued charges and other payables | 55,477 | 56,200 |
| Contract liabilities | 55,412 | 53,440 |
| Guaranteed deposits on LNG finance leases and finance leases arrangements | 14,539 | 14,539 |
| Loans from a shareholder (note 14(c)) | 474,639 | 493,922 |
| Interest payable on loans from a shareholder (note 14(c)) | 28,283 | 20,647 |
| Loan from a third party (note 14(d)) | 55,070 | 48,842 |
| Loans from joint ventures (note 14(e)) | 12,170 | 47,907 |
| Payable for the right to acquire property, plant and equipment | 305,271 | 305,271 |
| Amounts due to non-controlling shareholders of subsidiaries (note 14(f)) | 3,367 | 3,367 |
| | 1,094,104 | 1,121,386 |
| Non-current portion of loans from a shareholder | (474,639) | (493,922) |
| Current portion | 619,465 | 627,464 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. ACCOUNTS AND OTHER PAYABLES *(continued)*

Notes:–

- (a) The settlement terms of accounts payables 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\$12,261,000 (31 March 2019: HK\$15,247,000) 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 dollar.

- (b) 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.

| | 30 September 2019 (Unaudited) HK\$'000 | 31 March 2018 (Audited) HK\$'000 |
|---------------------|---|---|
| Within three months | 48,369 | 26,355 |
| 4 to 6 months | 4,401 | 9,647 |
| over 6 months | 27,148 | 24,406 |
| | 79,918 | 60,408 |

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

- (c) The unsecured loans from a shareholder, Dr. Kan comprised of (i) approximately HK\$452,611,000 is interest-bearing at 5% and repayable on demand; and (ii) approximately HK\$22,028,000 is interest-bearing at 8% and repayable on demand.
- (d) The loan is unsecured, repayable within one year and interest-bearing at 8% per annum.
- (e) The loans from joint ventures are unsecured, bear interest at 4.79% to 6% per annum and are repayable on demand.
- (f) 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. BANK BORROWINGS

| | 30 September 2019 (Unaudited) HK\$'000 | 31 March 2019 (Audited) HK\$'000 |
|-----------------|---|---|
| Bank borrowings | 71,591 | 50,244 |

The bank borrowings bear interest at range of Loan Prime Rate +0.04% and People's Bank of China benchmark interest rate +60% per annum at 30 September 2019 and 31 March 2019.

17. OBLIGATIONS UNDER FINANCE LEASES

At 30 September 2019, the Group had obligations under finance leases repayable as follows:

| | 30 September 2019 (Unaudited) | | 31 March 2019 (Audited) | |
|---|---|--|---|---|
| | Present value of the minimum lease payments HK\$'000 | Total minimum lease payments HK\$'000 | Present value of the minimum lease payments HK\$'000 | Total minimum lease payments HK\$'000 |
| Within 1 year | 9,844 | 10,890 | 8,415 | 9,444 |
| In the second to fifth years, inclusive | 2,874 | 2,988 | 4,736 | 4,893 |
| | 12,718 | 13,878 | 13,151 | 14,337 |
| Less: total future interest expenses | | (1,160) | | (1,186) |
| Present value of lease obligations | | 12,718 | | 13,151 |
| Portion classified as current liabilities in Accruals and other payables | | (9,844) | | (8,415) |
| Non-current portion | | 2,874 | | 4,736 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE CAPITAL

| | 30 September 2019 HK'000 | 31 March 2019 HK'000 |
|---|---|----------------------------|
| Issued and fully paid: | | |
| 5,643,797,090 (31 March 2019: 5,643,797,090) ordinary shares | 112,876 | 112,876 |

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

| | Number of shares in issues HK'000 | Share Capital HK'000 | Share premium HK'000 | Total HK'000 |
|-----------------------------------|--|----------------------------|----------------------------|-----------------|
| At 1 January 2018 | 5,616,123,090 | 112,322 | 401,279 | 513,601 |
| Conversion of convertible notes | (a) 27,674,000 | 554 | 33,106 | 33,660 |
| At 31 March 2019 and 1 April 2019 | 5,643,797,090 | 112,876 | 434,385 | 547,261 |
| Movement during the period | — | — | — | — |
| At 30 September 2019 | 5,643,797,090 | 112,876 | 434,385 | 547,261 |

Notes:

- (a) During the period from 1 January 2018 to 31 March 2019, the holder of convertible notes converted an aggregate principal amount of HK\$34,001,000 for conversion of 27,674,000 ordinary shares of the Company on average at conversion prices of HK\$1.2286 per conversion share (note 19), resulting in the addition of share capital of HK\$554,000 and share premium of HK\$33,106,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. CONVERTIBLE NOTES

On 29 January 2018 and 12 February 2018, the Company and Macquarie Bank Limited (“Macquarie”) entered into a subscription agreement and amendments agreement, respectively, pursuant to which the Macquarie has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, convertible notes in an aggregate principal amount of HK\$800 million, which are to be issued in a single tranche with an interest rate of 1% per annum and at the issue price of 99% of the principal amount of the convertible notes (“Convertible Notes”). The Convertible Notes are convertible into ordinary shares of the Company at a conversion price of 95% of the volume weighted average price of the shares of the Company as traded on the Stock Exchange on the trading day immediately preceding the date of delivery of the relevant conversion notice to the Company. The maximum number of conversion shares to be issued upon exercise of conversion rights attached to the Convertible Notes shall be 666,666,000 in any event. The Convertible Notes would be converted at 99% of the remaining principal amount by the Company upon maturity on 1 June 2018. To secure the performance of the Company’s obligations under the terms and conditions, the Company entered into a charge over its cash account opened with Macquarie for receiving and holding the net subscription moneys of the Convertible Notes in favour of Macquarie on 29 January 2018.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. CONVERTIBLE NOTES *(continued)*

On 1 June 2018, being the maturity date of the Convertible Notes, the remaining outstanding Convertible Notes have been redeemed and cancelled by the Company at HK\$758,340,000. The charge over its cash account opened with Macquarie was also released on the same date. As at 31 March 2019 and 30 September 2019, the Company has no outstanding Convertible Notes.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. ACQUISITION OF SUBSIDIARIES

On 6 August 2018, Gang Zong Trading (Shanghai) Co., Ltd (港縱貿易(上海)有限公司) (“Gang Zong Trading”), an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Jiangsu Chengbo Technology Co., Ltd (江蘇澄博科技有限公司) (“Jiangsu Chengbo Technology”) pursuant to which Jiangsu Chengbo Technology has agreed to sell, and Gang Zong Trading has agreed to purchase, the 48.5% equity interests in Jiang Yin Hongwei Transportation Co., Ltd (江陰宏偉運輸有限公司) (“Jiang Yin Hongwei Transportation”) at a consideration of RMB6,800,000 (equivalent to approximately to HK\$8,037,000). After the completion of acquisition of 48.5% equity interests in Jiang Yin Hongwei Transportation, Gang Zong Trading would further contribute RMB5,300,000 to increase the paid-in capital of Jiang Yin Hongwei Transportation from RMB5,000,000 to RMB10,300,000. After the increment of paid-in capital, Gang Zong Trading would own 75% interests in Jiang Yin Hongwei Transportation.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. ACQUISITION OF SUBSIDIARIES *(continued)*

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. ACQUISITION OF SUBSIDIARIES (continued)

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

| | <i>HK'000</i> |
|---|---------------|
| Cash consideration | (16,415) |
| Cash and bank balances acquired | 566 |
| | <hr/> |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | (15,849) |
| | <hr/> <hr/> |

Had the combination taken place at the beginning of the previous period, the revenue from continuing operations of the Group and the loss of the Group for the previous period would have been HK\$2,721,990,000 and HK\$229,083,000, respectively.

21. DISPOSAL OF SUBSIDIARIES

- (a) On 6 September 2019, East Zhejiang Gangneng Natural Gas Utilization Co., Ltd.* (東浙江港能天然氣利用有限責任公司), an indirect wholly-owned subsidiary of the Company, Wang Yaojian* (汪耀堅) and Zhao Zhizhong* (趙志忠) entered into sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and both Wang Yaojian and Zhao Zhizhong have conditionally agreed to purchase 51% equity interests in Zhejiang Gangsheng New Energy Technology Co., Ltd.* (浙江港盛新能源科技有限公司) ("**Gangsheng New Energy**") at a total consideration of RMB180,000.

After the completion of the share transfer took place on 27 September 2019 and Gangsheng New Energy ceased to be a subsidiary of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. DISPOSAL OF SUBSIDIARIES (continued)

(a) (continued)

| | <i>HK'000</i> |
|--|---------------|
| Property, plant and equipment | 6 |
| Deposits and other receivables | 253 |
| Cash and bank balances | 206 |
| Accounts and other payables | (88) |
| | <u>377</u> |
| Release of exchange reserve | 24 |
| Non-controlling interest | (185) |
| Loss on disposal of a subsidiary | (18) |
| | <u>198</u> |
| Satisfied by: | |
| Cash consideration | <u>198</u> |
| An analysis of the net outflow of cash and cash equivalents in respect of the disposal of Gangsheng New Energy during the period was as follows: | |
| Cash consideration | 198 |
| Cash and cash equivalents disposed of | (206) |
| | <u>(8)</u> |
| Net outflow of cash and cash equivalents in respect of the disposal of Gangsheng New Energy | <u>(8)</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. DISPOSAL OF SUBSIDIARIES (continued)

- (b) On 30 July 2019, East Jiangsu Gangyida Energy Co., Ltd.* (東江蘇港易達能源有限公司), an indirect wholly-owned subsidiary of the Company and Zhejiang Free Trade Zone Qianzhu Energy Co., Ltd.* (浙江自貿區千竹能源有限公司) (“Qianzhu Energy”) entered into sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Qianzhu Energy has conditionally agreed to purchase 100% equity interests in Puyang Green Dynamic New Energy Co., Ltd.* (浦陽綠動新能源有限公司) (“**Puyang Green Dynamic**”) at a consideration of RMB16,380,000.

After the completion of the share transfer took place on 19 September 2019 and Puyang Green Dynamic ceased to be a subsidiary of the Group.

| | <i>HK'000</i> |
|--|---------------|
| Property, plant and equipment | 24,555 |
| Inventory | 125 |
| Deposits and other receivables | 829 |
| Cash and bank balances | 166 |
| Deposit for acquisition of plant and equipment | 97 |
| Accounts and other payables | (15,774) |
| | <hr/> |
| | 9,998 |
| Release of exchange reserve | (310) |
| Gain on disposal of a subsidiary | 8,353 |
| | <hr/> |
| | 18,041 |
| | <hr/> <hr/> |
| Satisfied by: | |
| Cash consideration | 18,041 |
| | <hr/> <hr/> |

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Puyang Green Dynamic during the period was as follows:

| | |
|--|-------------|
| Cash consideration | 18,041 |
| Cash and cash equivalents disposed of | (166) |
| | <hr/> |
| Net inflow of cash and cash equivalents in respect of the disposal of Puyang Green Dynamic | 17,875 |
| | <hr/> <hr/> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. DISPOSAL OF SUBSIDIARIES (continued)

- (c) On 24 July 2019, Donggang Energy Natural Gas Co., Ltd. (東港能天然氣有限公司), an indirect wholly-owned subsidiary of the Company and Henan Xinhemei Clean Energy Co., Ltd.* (河南鑫和美清潔能源有限公司) ("Henan Xinhemei") entered into sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Henan Xinhemei has conditionally agreed to purchase 51% equity interests in Henan Jingang Energy Co., Ltd.* (河南金港能源有限公司) ("Henan Jingang") at a consideration of RMB700,000.

After the completion of the share transfer took place on 30 July 2019 and Henan Jingang ceased to be a subsidiary of the Group.

| | <i>HK'000</i> |
|---|----------------|
| Cash and bank balances | 1,102 |
| Non-controlling interest | (540) |
| Gain on disposal of a subsidiary | <u>209</u> |
| | <u>771</u> |
| Satisfied by: | |
| Cash consideration | <u>771</u> |
| An analysis of the net outflow of cash and cash equivalents in respect of the disposal of Henan Jingang during the period was as follows: | |
| Cash consideration | 771 |
| Cash and cash equivalents disposed of | <u>(1,102)</u> |
| Net outflow of cash and cash equivalents in respect of the disposal of Henan Jingang | <u>(331)</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. DISPOSAL OF SUBSIDIARIES (continued)

- (d) On 4 September 2017, the Company and the purchaser, Lihua Energy Storage Transportation Co., Ltd (利華能源儲運股份有限公司) entered into a sale and purchase agreement, the Company agreed to dispose of the entire 51% interest in Hebei Tiandao Energy Storage Transportation Co. Ltd. (河北天道能源儲運有限公司) ("Hebei Tiandao"), which was a non-wholly-owned subsidiary of the Group, to the purchaser.

After the completion of the disposal of the 51% interest in Hebei Tiandao at a cash consideration of approximately RMB47,900,000 (equivalent to approximately HK\$57,514,000) on 4 January 2018, Hebei Tiandao has ceased to be a subsidiary of the Group since then.

| | <i>HK'000</i> |
|---|---------------|
| Property, plant and equipment | 1,867 |
| Goodwill | 8,727 |
| Deposits for acquisition of property, plant and equipment | 16,189 |
| Deposits and other receivables | 63,147 |
| Cash and bank balances | 357 |
| Accounts and other payables | (23) |
| | <u>90,264</u> |
| Release of exchange reserve | 3,625 |
| Non-controlling interest | (39,953) |
| Gain on disposal of a subsidiary | 3,578 |
| | <u>57,514</u> |
| Satisfied by: | |
| Cash consideration | <u>57,514</u> |

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Hebei Tiandao during the period was as follows:

| | |
|---|---------------|
| Cash consideration | 57,514 |
| Cash and cash equivalents disposed of | (357) |
| | <u>57,157</u> |
| Net inflow of cash and cash equivalents in respect of the disposal of Hebei Tiandao | <u>57,157</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

- (a) On 13 February 2018, (i) CLNG Natural Gas Co., Ltd (港能天然氣有限責任公司) (“Purchaser I”), an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Liu Ligang (劉立剛), Gu Zhigang (谷志剛), Zheng Fuhe (鄭福和) and Guo Zhilun (郭志倫) (“HDGT Vendors”), pursuant to which HDGT Vendors have agreed to sell, and Purchaser I has agreed to purchase, the 35% equity interests in Hebei Dezhong Gas Trading Co., Ltd (河北德眾燃氣貿易有限公司) (“Hebei Dezhong”) for a cash consideration of RMB8,520,000; and (ii) CLNG Hubei Energy Co., Ltd. (港能(湖北)能源有限公司) (“Purchase II”), an indirectly wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Hubei Guoshun New Energy Co., Ltd. (湖北國順新能源有限公司) (“HGTRQ Vendor”), pursuant to which the HGTRQ Vendor has agreed to sell, and Purchaser II has agreed to purchase, the 40% equity interests in Hubei Gangshun Tian Ran Qi Co., Ltd. (湖北港順天然氣有限公司) (“Hubei Gangshun”) for a cash consideration of RMB8,650,000. After the completion of acquisition of 35% equity interests in Hebei Dezhong and 40% equity interest in Hubei Gangshun, Hebei Dezhong and Hubei Gangshun have become wholly-owned subsidiaries of the Company.

For acquisition of 40% interests of Hubei Gangshun

| | |
|---|---------------|
| | <i>HK'000</i> |
| Carrying amount of Hubei Gangshun on the acquisition date | 8,850 |
| Carrying amount of non-controlling interests on the acquisition date | 3,540 |
| Consideration (RMB8,650,000) | (10,130) |
| | <hr/> |
| Difference recognised in special reserve | (6,590) |
| | <hr/> <hr/> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES *(continued)*

(a) *(continued)*

For acquisition of 35% interests of Hubei Dezhong

| | <i>HK'000</i> |
|---|------------------------|
| Carrying amount of Hubei Dezhong on the acquisition date | (6,538) |
| Carrying amount of non-controlling interests on the acquisition date | (2,288) |
| Consideration (RMB8,520,000) | <u>(9,976)</u> |
| Difference recognised in special reserve | <u><u>(12,264)</u></u> |

For details, please refer to the announcement on 14 February 2018 and circular dated 24 August 2018 of the Company.

(b) During the previous period, the Company entered into equity transfer agreements to acquire additional interests from non-controlling interests of certain subsidiaries, namely 寧波港福天然氣有限公司 ("Ningbo Gangfu"), 河北港眾天然氣有限公司 ("Hebei Gangzhong") and Shandong Aohai, with cash considerations of HK\$119,000, Nil and HK\$2,076,000, respectively. After the completion of acquisitions of the equity interests, the three subsidiaries became wholly-owned subsidiaries of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES *(continued)*

(b) *(continued)*

For acquisition of 1% interests of Ningbo Gangfu

| | <i>HK'000</i> |
|--|-------------------|
| Carrying amount of Ningbo Gangfu on the acquisition date | 11,731 |
| Carrying amount of non-controlling interests on the acquisition date | 117 |
| Consideration (RMB100,000) | <u>(119)</u> |
| Difference recognised in special reserve | <u><u>(2)</u></u> |

For acquisition of 7% interests of Hebei Gangzhong

| | <i>HK'000</i> |
|--|-------------------|
| Carrying amount of Hebei Gangzhong on the acquisition date | 2,057 |
| Carrying amount of non-controlling interests on the acquisition date | 144 |
| Consideration (RMB Nil) | <u>—</u> |
| Difference recognised in special reserve | <u><u>144</u></u> |

For acquisition of 40% interests of Shandong Aohai

| | <i>HK'000</i> |
|--|-----------------------|
| Carrying amount of Shandong Aohai on the acquisition date | (439) |
| Carrying amount of non-controlling interests on the acquisition date | (176) |
| Consideration (RMB1,800,000) | <u>(2,076)</u> |
| Difference recognised in special reserve | <u><u>(2,252)</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. RELATED PARTY TRANSACTIONS

- (a) Saved as disclosed elsewhere in these financial statements, the Group had the following material transactions with its related parties during the period.

| | Period ended 30 September 2019 (Unaudited) HK'000 | Period ended 31 March 2019 (Audited) HK'000 |
|--|--|---|
| Service fee income from a related company owned by an executive director and the substantial shareholder | 93 | 233 |
| Interest expense on loans from an executive director and the substantial shareholder | 14,735 | 20,363 |

Dr. Kan is an executive director and the chairman of the Company. As such, Dr. Kan is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Thus, the transactions mentioned above constitute continuing connected transactions for the Company under the Listing Rules.

- (b) The Company entered into loan facility agreements with Dr. Kan in relation to the provision of standby facilities of HK\$600,000,000 (31 March 2019: HK\$600,000,000) to the Company by Dr. Kan. At 30 September 2019, this facility had been utilised to the extent of HK\$474,639,000 (31 March 2019: HK\$493,922,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. RELATED PARTY TRANSACTIONS *(continued)*

(c) Compensation of key management personnel

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

| | Period ended 30 September 2019 (Unaudited) HK'000 | Period ended 31 March 2019 (Audited) HK'000 |
|--------------------------|--|---|
| Shor-term benefits | 10,869 | 36,143 |
| Post-employment benefits | 2,548 | 6,737 |
| | 13,417 | 42,880 |

24. COMMITMENTS

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

| | Period ended 30 September 2019 (Unaudited) HK'000 | Period ended 31 March 2019 (Audited) HK'000 |
|--------------------------------------|--|---|
| Contracted but not provided for | | |
| Plant and machinery | 45,421 | 198,838 |
| Capital contribution to subsidiaries | - | 7,682 |
| | 45,421 | 206,520 |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Liquefied natural gas (LNG)

The Group aimed to “address the persistent problem of air pollution and improve the environment”. It took the liquefied natural gas (“LNG”) market as its core business, actively developed a basis of its own end-users and secured the business with high quality storage, transportation and supply chain. Through in-depth development of regional large projects, a nationwide system of “production, supply, storage and sales” has been established.

Under the major national trend of the “coal-to-gas” conversion, the consumption of natural gas has grown exponentially. The Group seized the market opportunity and took developing own end-users as the entry point to expand its business scale rapidly. To secure stable supply for its own end-users, the Group expanded its LNG logistics transportation business. Currently, its LNG transportation capacity ranks among the top in China and has established four regional logistics and trade segments (including North China, Central and South China, East China and Northwest China) to serve its own end-users. The Group insisted on taking the in-depth development of LNG market segment as the basis. While developing industrial end-users, the Group closely followed the pace of adjustment in national energy policy and unceasingly explored and innovated new business models of the LNG market. The Group has developed a number of regional energy supply center projects and LNG refilling station projects, which combine the roles of city and county level Dewar bottle filling, township or regional franchise and peaking reserve (connected to high pressure pipeline network). Among which, the phase I of Huanggang regional clean energy supply center, Nanhu oil and gas combined station and Guanshan LNG refilling station projects have been put into trial operation. As a number of “regional clean energy supply center” projects commence operation, the issue of unbalanced regional LNG consumption due to external factors is gradually solved and the price affordability of users is increased.

MANAGEMENT DISCUSSION AND ANALYSIS

On 12 December 2018, CLNG Investment (Shanghai) Co., Limited* (港能投資(上海)有限公司), a wholly-owned subsidiary of the Group, and Gas and Power Group Hanhai Energy Investment Limited Company* (中海石油氣電集團瀚海能源投資有限公司), formed a joint venture, Ganghai Energy (Shanghai) Co., Limited* (港海能源(上海)有限公司), which has obtained business license for liquefied natural gas on 1 August 2019, laying the foundation for full operation of the joint venture.

Under the circumstances of an economic downturn and gradual easing of the growth in the natural gas industry in 2019, the Group remained committed to its mission. In order to cope with changes in the market environment, the Group made timely adjustments, optimised management model and changed fragmented management into regional management, which effectively lowered operating costs and ensured the sustainable and healthy development of the Company.

For the six months ended 30 September 2019, the LNG business of the Group recorded losses which is attributable to:

1. In the first half of 2019, the Group changed its financial year with the interim period changing from the original 1 January to 30 June to 1 April to 30 September, and the period is not a heating season. It is a traditional low season for the LNG industry and the market supply and demand is relatively eased. At the same time, in order to ensure that the Group's resource indicators qualify for sufficient preferential treatment and adequate quantity for the peak season, the Group signed annual fixed quantity and price contracts with various sales companies of CNOOC in the low season. Under the price impact of non-offshore oil, during the performance of the fixed quantity and price contracts, the LNG purchasing prices were higher than the market prices for several months which reduced profit margin.
2. The Group invested in the establishment of point-to-point supply for end users in the previous period. Impacted by a slowdown in the domestic economy and a continued trade war, the end-user LNG demand of some point-to-point supply decreased and suspended. The decrease in sales of point-to-point supply for end users resulted in the increase in unit management cost and unit operating cost of end-user companies.

MANAGEMENT DISCUSSION AND ANALYSIS

3. There is room for improvement of the scientific and rational management of the Group's logistics and trade segment. Under the influence of market demand, the operating rate of the logistics system in the logistics and trade segment was lower than industrial average. The management with Mr. Chen Li Bo, the former Deputy Chairman, as the representative were unable to rapidly adjust operating direction and sought external cooperation due to inability to follow market changes timely which led to serious losses in the logistics and trade segment.
4. The Group insisted on taking the in-depth development of LNG market segment as the basis. It actively developed the three-in-one (including Dewar bottle filling, township or regional franchise and peaking reserve (connected to high pressure pipeline network)) regional energy supply center projects and LNG refilling station projects. The construction of Nanhu LNG refilling station in Hubei, Huanggang LNG peaking reserve and Dewar bottle filling station (phase I) and Huanggang Sinopec Guanshan LNG refilling station were completed and put into trial operation. Meanwhile, land purchases for the Lu'an Fenglukou peaking reserve project in Anhui, Chengde peaking reserve project and Guangchang clean energy supply center project in Jiangxi were completed, and the construction of the city gas pipeline network of Lu'an Guzhen Industrial Park, the city gas pipeline network of Chengde Liugou Industrial Park, the township gas pipeline network under the Yu'an District of Lu'an, the city gas pipeline network of Gaoyi Ceramic Industrial Park, Huanggang LNG peaking reserve and connection line project of the Hubei natural gas high pressure gas pipeline network are underway and large amount of funds has been invested at the early stage.

MANAGEMENT DISCUSSION AND ANALYSIS

SALES AND DISTRIBUTION OF LNG

Point-to-point supply (point supply)

The Group rationally developed single point direct supply for industrial end-users and selectively developed industrial point supply projects to lower project investment risk and ensure the long-term sustainable and steady operation of the industrial single point direct supply projects. As of 30 September 2019, the Group recorded a point-to-point LNG supply volume of 48,015 tons (total volume of approximately 69,141,000 cubic metres) for industrial end-user projects and a revenue of approximately HK\$216,361,000.

Wholesale of LNG (trade)

As of 30 September 2019, the Group recorded a LNG wholesale volume of 206,076 tons. Total volume was approximately 296,750,000 cubic metres, which was mainly derived from the supply of LNG trucks. The Group recorded revenues related to the wholesale of LNG of approximately HK\$744,116,000.

Distribution of LNG

As of 30 September 2019, the Group's fleet comprised 281 LNG refilling trucks and tail-lift trucks for transportation, including 235 heavy tank vehicles (refilling trucks) and 46 tank container vehicles (tail-lift trucks). The Group's LNG distribution fleet achieved a load/distance ratio of 110,631,000 tonne-kilometers, with an external transportation revenue of approximately HK\$41,700,000.

Finance leasing

For the Period, the Group's finance lease companies did not commence any new project.

As at 30 September 2019, receivables under LNG finance lease arrangements and LNG finance lease receivables were approximately HK\$14,091,000 and HK\$29,747,000 respectively. During the Period, the Group achieved finance income of approximately HK\$1,694,000 from finance leasing services for LNG vehicles, vessels and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

Trading of securities

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

Securities brokerage

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

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

Financial service

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

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

As at 30 September 2019, loan receivables derived from the money lending business was approximately HK\$159,400,000.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue increased by approximately 27.18% from approximately HK\$805,653,000 for the six months period ended 30 June 2018 to approximately HK\$1,024,666,000 for the Period.

Revenue derived from provision of finance leasing services for LNG vehicles, vessels and equipment decreased by approximately 64.49% from approximately HK\$5,337,000 for the six months period ended 30 June 2018 to approximately HK\$1,895,000 for the Period because of the decrease in the number of leases.

Revenue derived from sales and distribution of LNG including point-to-point supply of LNG and wholesale of LNG increased by approximately 25.13% from approximately HK\$774,985,000 for the six months period ended 30 June 2018 to approximately HK\$969,751,000 for the Period because of the expansion of LNG businesses.

No revenue was derived from trading of securities for the Period, which was mainly due to the Group adopts a wait-and-see attitude towards the volatile stock market in Hong Kong.

Revenue derived from provision of securities brokerage, bond placing, margin financing and securities investment business decreased by approximately 64.64% from approximately HK\$7,567,000 for the six months period ended 30 June 2018 to approximately HK\$2,676,000 for the Period as the Group did not commence to provide corporate finance advisory services on bond placing to our clients for the Period.

Revenue derived from the financial services through provision of money lending business decreased by approximately 20.49% from approximately HK\$10,872,000 for the six months period ended 30 June 2018 to approximately HK\$8,644,000 for the Period due to the number of clients decreased.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and gains

Other income and gains decreased by approximately 47.82% from approximately HK\$11,258,000 for the six months period ended 30 June 2018 to approximately HK\$5,874,000 for the Period. The decrease was mainly due to there was a significant gain on disposal of subsidiaries during the six months period ended 30 June 2018.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 23.59% from approximately HK\$14,467,000 for the six months period ended 30 June 2018 to approximately HK\$11,054,000 for the Period because there was a peak season included in six months period ended 30 June 2018 which incurred more travelling expenses, employee benefit expenses and entertainment expenses for sales staff to increase the sales during the peak seasons.

Administrative expenses

Administrative expenses increased by approximately 6.99% from approximately HK\$65,817,000 for the six months period ended 30 June 2018 to approximately HK\$70,415,000 for the Period because of the increase in staff costs and employee benefit expenses, travelling expenses and entertainment expenses for administrative and managerial staff due to the continuing expansion of LNG businesses in the PRC for the Period.

Finance costs

Finance costs for the Period increased significantly by 248.76% from approximately HK\$5,496,000 for the six months period ended 30 June 2018 to approximately HK\$19,168,000 for the Period mainly due to the increase in shareholder's loans to approximately HK\$474,639,000 for the Period from approximately HK\$154,094,000 for the six months period ended 30 June 2018.

Income tax expense

Income tax expense for the Period was approximately HK\$1,391,000 (for the six months period ended 30 June 2018: an expense of approximately HK\$1,491,000).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had total cash and bank balances of approximately HK\$56,923,000 as at 30 September 2019 (31 March 2019: approximately HK\$115,635,000). As at 30 September 2019, bank and other borrowings of the Group amounted to approximately HK\$641,753,000 (31 March 2019: HK\$611,318,000) comprised with bank borrowings of approximately HK\$71,591,000 (31 March 2019: HK\$50,244,000), obligation under finance lease of approximately HK\$12,718,000 (31 March 2019: HK\$4,736,000), loans from a shareholder of approximately HK\$502,922,000 (31 March 2019: HK\$514,569,000) and loan from a third party of approximately HK\$55,070,000 (31 March 2019: HK\$48,842,000). The bank borrowings bear interest rate at range of Loan Prime Rate +0.04% and People's Bank of China benchmark interest rate +60%. The Group's gearing ratio is calculated as net debt divided by total equity was 85.35% as at 30 September 2019 (31 March 2019: 55.05%). Net debt is calculated as bank and other borrowings less bank balances and cash. Net assets were approximately HK\$770,385,000 as at 30 September 2019 (31 March 2019: approximately HK\$900,429,000).

The Group recorded total current assets value of approximately HK\$643,975,000 as at 30 September 2019 (31 March 2019: approximately HK\$690,387,000) and total current liabilities value of approximately HK\$705,494,000 as at 30 September 2019 (31 March 2019: approximately HK\$681,027,000). The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was approximately 0.91 as at 30 September 2019 (31 March 2019: approximately 1.01).

Currently, the Group's operating and capital expenditures are mainly financed by cash generated from operation, internal liquidity, bank borrowings and fund advanced from the controlling shareholder.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend (final dividend for 15 months period ended 31 March 2019: Nil) for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT

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

Foreign currency

Transactions of the Group were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the Period. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the Period and 15 months period ended 31 March 2019, 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 LNG logistic services, sales of LNG vehicles, providing securities brokerage, bond placing, margin financing and securities investment 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. The Group believe that all of these are able to strengthen our control and management of our credit risk.

MANAGEMENT DISCUSSION AND ANALYSIS

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, the Group may request a security deposit and collaterals which the Group may apply towards the payment or discharge of any obligation owned by the lessee for the finance leasing business.

The Group 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, the Group 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 finance lease receivables, loan receivables, accounts and other receivables and other financial assets of the Group as at 30 September 2019.

Liquidity risk

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

TREASURY POLICIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

- 1) On 24 July 2019, Donggang Energy Natural Gas Co., Ltd. (東港能天然氣有限責任公司), an indirect wholly-owned subsidiary of the Company and Henan Xinhemei Clean Energy Co., Ltd.* (河南鑫和美清潔能源有限公司) (“**Henan Xinhemei**”) entered into sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Henan Xinhemei has conditionally agreed to purchase 51% equity interests in Henan Jingang Energy Co., Ltd.* (河南金港能源有限公司) (“**Henan Jingang**”) at a consideration of RMB700,000. Completion of the share transfer took place on 30 July 2019 and Henan Jingang ceased to be a subsidiary of the Group.
- 2) On 30 July 2019, East Jiangsu Gangyida Energy Co., Ltd.* (東江蘇港易達能源有限公司), an indirect wholly-owned subsidiary of the Company and Zhejiang Free Trade Zone Qianzhu Energy Co., Ltd.* (浙江自貿區千竹能源有限公司) (“**Qianzhu Energy**”) entered into sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Qianzhu Energy has conditionally agreed to purchase 100% equity interests in Puyang Green Dynamic New Energy Co., Ltd.* (瀋陽綠動新能源有限公司) (“**Puyang Green Dynamic**”) at a consideration of RMB16,380,000. Completion of the share transfer took place on 19 September 2019 and Puyang Green Dynamic ceased to be a subsidiary of the Group.
- 3) On 6 September 2019, East Zhejiang Gangneng Natural Gas Utilization Co., Ltd.* (東浙江港能天然氣利用有限責任公司), an indirect wholly-owned subsidiary of the Company, Wang Yaojian* (汪耀堅) and Zhao Zhizhong* (趙志忠) entered into sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and both Wang Yaojian and Zhao Zhizhong have conditionally agreed to purchase 51% equity interests in Zhejiang Gangsheng New Energy Technology Co., Ltd.* (浙江港盛新能源科技有限公司) (“**Gangsheng New Energy**”) at a total consideration of RMB180,000. Completion of the share transfer took place on 27 September 2019 and Gangsheng New Energy ceased to be a subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

As at 30 September 2019, the total capital commitments by the Group amounted to approximately HK\$45,421,000 (31 March 2019: HK\$198,838,000) which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and machinery, capital contribution to subsidiaries and associates.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2019 (31 March 2019: Nil).

STAFF AND REMUNERATION POLICIES

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

As at 30 September 2019, the Group had 925 employees (31 March 2019: 1,285 employees), of whom 286 were administrative staff and operating staff; 474 were LNG truck driver; 49 were technical staff; 55 were managerial staff and the remaining 61 were marketing staff. The Group's total staff costs amounted to approximately HK\$77.3 million (for the year ended 31 March 2019: approximately HK\$116.8 million) for the Period. The Group offers competitive remuneration packages to our employees. The Group remunerated its employees mainly based on the industry practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual's performance.

OTHER INFORMATION AND CORPORATE GOVERNANCE

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

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

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

As at 30 September 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO) or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in the Company

| Name of Director | Name of company in which interests were held | | Long position/ Short position | Number of Shares held | Approximate percentage of shareholding |
|--|--|------------------|----------------------------------|--------------------------|--|
| | Nature of interests | | | | |
| Dr. Kan Che Kin, Billy Albert ("Dr. Kan") | The Company | Beneficial owner | Long position | 3,482,473,139 Shares | 61.70% |
| | The Company | Beneficial owner | Short position | 169,543,940 Shares | 3.00% |
| Mr. Li Kai Yien, Arthur Albert | The Company | Beneficial owner | Long position | 200,000 Shares | 0.00% |
| Mr. Simon Murray ("Mr. Murray") | The Company | Beneficial owner | Long position | 5,000,000 Shares (Note) | 0.09% |
| Dr. Lam, Lee G. ("Dr.Lam") | 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. 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. Murray and Dr. Lam.

OTHER INFORMATION AND CORPORATE GOVERNANCE

Interests in shares in associated corporation(s) of the Company

| Director | Name of company in which interests were held | Nature of interests | Number of Shares held in associated corporation | Approximate percentage interests in the capital of the associated corporation |
|----------|--|---------------------|---|---|
| Dr. Kan | Key Fit Group Limited | Beneficial owner | 69,982,878 Shares | 9.99% |

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2019.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2019, so far as was known to the Directors and chief executives of the Company, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 September 2019.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the “**Audit Committee**”) include the review and supervision of the Group’s financial reporting process, risk management and internal controls. The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the Period.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee.

OTHER INFORMATION AND CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

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

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

1. Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate. The positions of chairman and chief executive officer of the Company have been held by Dr. Kan during the Period. The Board believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. The Board has full confidence in Dr. Kan and believes that his dual roles will be beneficial to the Group.
2. Under the Code Provisions A.4.1 and A.4.2, non-executive Director should be appointed for a specific term and each Director should be subject to retirement by rotation at least once every three years. The existing independent non-executive Directors and non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association (the **"Articles of Association"**) of the Company at least once every three years.
3. Under the Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two of the non-executive directors, Mr. Simon Murray and Dr. Lam, Lee G. were unable to attend the annual general meeting held on 30 August 2019 and three independent non-executive directors, Mr. Lam Lun Lee, Mr. Au Yeung Po Fung and Dr. Li Yao were unable to attend the annual general meeting held on 30 August 2019, as they had other business engagements. However, they subsequently requested the company secretary of the Company to report to them on the views of the Shareholders in the general meetings. As such, the Board considers that the development of a balanced understanding of the views of Shareholders among the non-executive Directors and independent non-executive Directors was ensured.

OTHER INFORMATION AND CORPORATE GOVERNANCE

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the Company's website at <http://china.lng.todayir.com>. The 2019 interim report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 29 November 2019

As at the date of this announcement, the executive Directors are Dr. Kan Che Kin, Billy Albert, Mr. Li Kai Yien, Arthur Albert and Mr. Lam Yu Yeung; the non-executive Directors are Dr. Lam, Lee G. and Mr. Simon Murray; and the independent non-executive Directors are Dr. Li Yao, Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee.

* *for identification purpose only*