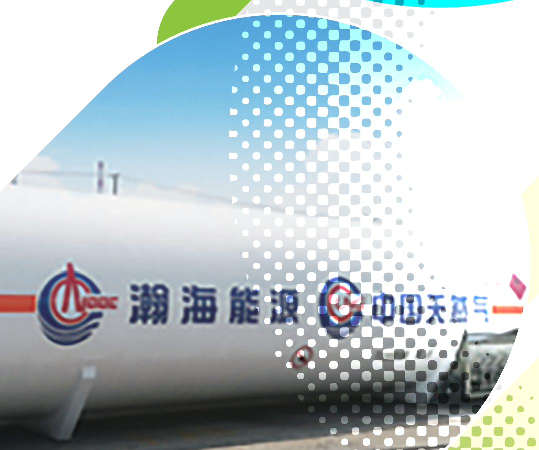
中國天然氣集團有限公司
CHINA LNG GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

2020
ANNUAL REPORT



Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Kan Che Kin, Billy Albert *(Chairman)*
Mr. Li Kai Yien, Arthur Albert
Mr. Chen Li Bo
(removed on 30 August 2019)
Mr. Lam Yu Yeung
(appointed on 2 September 2019 and resigned on 6 March 2020)

Non-Executive Directors

Mr. Simon Murray
Dr. Lam, Lee G.

Independent Non-Executive Directors

Mr. Li Siu Yui
Mr. Lam Lum Lee
Mr. Au Yeung Po Fung
(resigned on 2 September 2019)
Mr. Chow Ching Ning
(appointed on 2 September 2019)
Dr. Li Yao
(appointed on 20 June 2019 and resigned on 13 January 2020)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Dr. Kan Che Kin, Billy Albert
(appointed on 6 March 2020)
Mr. Lam Yu Yeung
(resigned on 6 March 2020)

INDEPENDENT AUDITOR

PKF Hong Kong Limited

AUTHORISED REPRESENTATIVES

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

PRINCIPAL BANKERS

Hang Seng Bank Limited
China Construction Bank (Asia) Corporation Limited

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

SMP Partners (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

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors ("the Board") of China LNG Group Limited ("the Company"), I am pleased to announce annual results of the Company and its subsidiaries (collectively referred to as "the Group") for the year ended 31 March 2020.

For the Group, 2019 was a remarkable year. In order to realise our strategic development plan and ensure an effective implementation of our operational plan for sustainable development, we adjusted and optimised the managerial staff at the Group's businesses in the PRC. The deputy chairman and some employees responsible for PRC businesses were dismissed, and external legal, accounting and audit consultants were engaged to investigate and collect the losses caused by the Group's internal managerial staff during the last few years. In as timely a manner as possible, measures were taken to investigate the legal liability of individuals from the former managerial staff, so as to safeguard our rights and interests and ensure a steadier, better and faster development of the Group's businesses in the PRC. In 2019, a full-scale restructuring of the Group was commenced. In total, 24 out of 81 PRC companies have commenced to consolidate and deregister. These actions reflect the Group's firm determination to forge a bright and dynamic future.

The natural gas market in the PRC has maintained growth in recent years. Various departments, localities and enterprises have increased their efforts in natural gas exploration and development, improving infrastructure in key regions, and accelerating the interconnection of pipeline networks. In 2018, the increase in annual natural gas consumption reached a record high. In 2019, apparent consumption of natural gas in the PRC is expected to reach approximately 310 billion m^3, an increase of approximately 10% year-on-year. Natural gas consumption in the PRC will continue to grow between now and year 2050. The market's rapid development demonstrates that natural gas has become one of the PRC's key sources of energy.

In 2019, the Group reintegrated and optimised its businesses in the PRC. During the year, the Group executed its restructuring smoothly, discarding growth in diversified businesses such as point supply, and focusing on large project investment. Businesses in areas such as north, south central, east and northwest China grew rapidly. As of today, the Group had developed a total of 16 large-scale station projects. In the development planning of beautiful town specifically, the Group has obtained four exclusive franchise pipeline gas, which will provide gas supplies to more than 50,000 users. The growth in users may exceed 200,000 in the next year. In 2019, the Group officially began selling LNG Dewar bottles, and absorbed a large number of customers using LPG tanks in 2020. Further, a consensus between the Group and CNOOC Oil and Electricity Group was reached for the full transfer of the Group's trading business. The sale and transportation of 275 tank containers were also put on the agenda. It is believed that in the next few months, the Group and CNOOC Oil and Electricity Group will achieve mutual benefits and common development. With the gradual stabilisation of LNG prices in the PRC and the development and operation of the Group's diversified end-user terminals, the Group's development and construction in the PRC terminal market will yield a better profit return beginning in the coming year.

The COVID-19 pandemic has made a serious impact on our production and the lives of our employees and customers. As preventative measures have taken effect, many countries have taken action to reduce enterprises' costs of gas and encourage work resumption of enterprises in various regions. As a result, logistics and transportation are no longer obstructed and demand for end-use gas has gradually improved along with LNG market sentiment. Attributed to the benefits brought by factors such as the supply shortage of LNG trucks and the continuous resumption of work and production in the PRC, the Group will embark on a new journey in 2020.

The Group now has a diligent and professional management team with a high standard of integrity. We have always been staying true to our mission of promoting applications of natural gas, a clean energy, in mainland China. We are confident in our ability to further expand and strengthen Group's assets accumulated from over the years of large-scale investment in subsidiaries, and to seize opportunities to bring attractive returns to the Group.

Chairman's Statement

ACKNOWLEDGEMENTS

I would like to thank our management team and employees for enabling the Group to achieve its strategic transformation and sustain its growth. I also wish to express my sincere gratitude to our partners, customers, and in particular, our shareholders, for their continuing support and trust. As always, we will work hard to generate better returns for our shareholders and other interested parties.

Kan Che Kin, Billy Albert
Chairman

Hong Kong, 29 June 2020

BUSINESS REVIEW

SALES AND DISTRIBUTION OF LNG

During the year ended 31 March 2020, the loss in the LNG business of the Group was attributable to the following reasons:

1. In order to lay a deep foundation in the LNG industry, strengthen management of compliance, and regulate the management of operation safety, the Group made strategic adjustment by shifting from a sole industrial channel to point-to-point industrial supply channels of other regions, and increasing regional clean energy supply centers, township concession right, vehicle and ship refilling stations, city gas peak sharing stations, regional gas pipeline network and dewar bottle business. The Group will incur a great financial expense brought by depreciation of fixed assets and a high interest expense due to its large amount of capital investment during the construction of large-scale projects.

2. Affected by the COVID-19 pandemic, both upstream and downstream enterprises postponed their resumption of work. Transportation controls were implemented in multiple regions and the demand for LNG in the PRC, as a result, was mainly rigid demand. The demand from transportation and industrial gas consumption dropped significantly and the refilling stations maintained a low-sales operation. The short-term demand for natural gas declined. As a result, the decrease in the sales of LNG cannot offset the Group's fixed costs such as salary, rental costs of offices and plants, etc.

3. Following the exponential expansion of LNG business in 2017, the number of LNG trucks increased significantly in 2018, but the volume of LNG transmission business decreased dramatically in 2019, which in turn led to severe imbalances between supply and demand. The intensifying competition in the LNG transmission business caused disproportionate market freight rates to costs. Under the circumstances that the business volume decreased significantly in 2019, the market's anti-risk capacity against price fluctuation of LNG was low and vulnerable. In order to lower logistics costs and improve vehicle turnover, the Group leveraged on the LNG price differences in various terminals, vehicles changing terminal without loading more often than the previous year. The waiting time for the filing of vehicles not in service was unexpectedly long. The transferring cost is also one of the reasons causing the loss.

Management Discussion and Analysis

Point-to-point supply of LNG

As of 31 March 2020, the Group had 131 point-to-point end-user projects in operation. The LNG sales volume reached 75,573 tons (total volume of approximately 108,825,120 cubic metres). The revenue of the Group from industrial point-to-point supply amounted to approximately HK$336,725,000, representing a negative growth of 60% as compared with the fifteen months ended 31 March 2019.

As of 31 March 2020, the negative growth was due to the fact that the Group re-integrated and optimised its businesses in the PRC, performed strategic restructuring of the businesses in districts in North China, South and Central China, East China, and Northwest China, abandoned part of its business of point-to-point supply of LNG, and focused on the investment and construction of large projects. After a year of restructuring, the Group gradually turned to project development with higher market shares and efficiency.

Wholesale of LNG (trade)

During the year ended 31 March 2020, the Group recorded a LNG wholesale volume of 378,033 tons (total volume of approximately 544,367,520 cubic metres), which was mainly supplied by LNG trucks. The Group recorded revenues related to the wholesale of LNG of approximately HK$1,416,056,000, representing a negative growth of 19% as compared with the fifteen months ended 31 March 2019.

The primary reason for the negative growth was attributable to the fact that the Group also adopted strategic adjustments in the trading sector. The Group reached a consensus with CNOOC Gas & Power Group (中海油氣電集團) to form a joint venture, Ganghai Energy (Shanghai) Co., Limited*(港海能源(上海)有限公司), to transfer all trading businesses. Furthermore, the sales and transportation business in respect of 275 LNG tank containers was also on the agenda, which shows that the cooperation between the Company and CNOOC Gas & Power Group will be further facilitated.

Distribution of LNG

During the year ended 31 March 2020, the Group's fleet comprised 235 LNG refilling trucks, 44 tail-lift trucks and 281 refilling tracks taking the lead for transportation. The LNG transmission volume of the Group's LNG distribution fleet reached 205,107,228 ton-kilometres, with a revenue of approximately HK$68,966,000, representing a growth of 118% as compared with the fifteen months period ended 31 March 2019.

The increase in the Group's revenue from transportation was mainly due to the stringent improvement in the use and management of the Group's vehicles during the restructuring process.

Operation of LNG tank containers

On 26 October 2019, the Group entered into the sales and purchase agreement and the leasing agreement with Ruiji Energy Technology (Tianjin) Co., Ltd.* (瑞機能源技術(天津)有限公司) (a holding subsidiary of China National Machinery Export & Import Corporation). The LNG tank containers were sold to Ruiji Energy, and then they were leased in an operational manner.

In view of the Group's business development needs in the PRC and the establishment of a comprehensive strategic cooperation with China National Machinery Export & Import Corporation, an enterprise managed by the central government. Operating LNG tank containers in the form of sale and operating leases can increase cash flow flexibility and reduce capital usage, and at the same time allocate resources to develop other natural gas projects. Besides, the establishment of business cooperation with China National Machinery Export & Import Corporation, including but not limited to importing LNG from overseas through LNG tank containers, helps both parties to enter the field of clean energy, and will generate great potential benefits for the future development of the Company.

Sizable Terminal Infrastructure

The Group have developed 16 sizable terminal constructions in 2019, of which 13 were under construction (including 4 urban gas exclusive franchises), which are: Lu'an Sub-junction Comprehensive Utilisation Project (六安分路口綜合利用項目) and franchise, Lu'an Guzhen Comprehensive Utilisation Project (六安固鎮綜合利用項目), Handan Fuxing District LNG Peak Shaving Station Project (邯鄲復興區LNG調峰儲配站項目), Jiangxi Guangchang County Clean Energy Comprehensive Utilisation Project (江西廣昌縣清潔能源綜合利用項目), Hebei Chengde LNG Peak Shaving Reserve and Industrial Comprehensive LNG Utilisation Project (河北承德LNG調峰儲備庫與產業綜合利用項目) and franchise, Lianyungang Petrochemical Industry Base Project (連雲港石化產業基地專案), Hebei Province Gangzhong Gaoyi Reserve Project (河北省港眾高邑儲備項目), Hebei Gaoyi Haoyan Pipeline Network Project (河北高邑鄗炎管網項目) and exclusive franchise (implementation of such exclusive franchise is subject to the government's land listing), Xingwen County Shale Gas utilization Project (興文縣葉岩氣就地利用項目), Northwest Fuping Clean Energy Logistics and Trading Headquarters (西北富平清潔能源物貿基地), Jingdezhen Clean Energy Supply Center Project (景德鎮清潔能源供應中心項目), Guangshui Clean Energy Supply Center Project (廣水清潔能源供應中心項目) and exclusive franchise and Shaoyang Clean Energy Supply Center Project (邵陽清潔能源供應中心項目).

Management Discussion and Analysis

There were 3 projects which have completed construction and relevant procedures, namely Hubei Huanggang Guanshan refilling station (湖北黃岡關山加氣站), Hubei Huanggang Nanhu refilling station (湖北黃岡南湖加氣站) and Huanggang South East Hubei Reserve Peak Shaving Center (黃岡鄂東南儲備調峰中心), and entered trial operation stage in October 2019.

Finance leasing

During the year ended 31 March 2020, there were no new projects of finance leasing.

As at 31 March 2020, receivables under LNG finance leasing arrangements and LNG finance leasing receivables were approximately HK$6,342,000 and HK$6,468,000 respectively.

During the year ended 31 March 2020, the Group recorded a revenue of approximately HK$13,213,000 from finance leasing services for LNG vehicles and equipment.

Trading of securities

The Group conducts its trading of Hong Kong securities business through Key Fit Group Limited. During the year ended 31 March 2020, the Group did not carry out any securities trading.

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 has ceased its securities brokerage services, since 1 April 2020 and will return type 1 licence (Dealing in securities) to SFC. For the year ended 31 March 2020, the Group recorded revenue from interest income from securities margin financing, service fee income of approximately HK$6,099,000.

Financial services

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

During the year ended 31 March 2020, all the loans granted under the money lending business of the Group were secured loans and were funded by internal resources. The Group recorded an impairment loss on loan receivable of HK$63,221,000 during the year.

Management Discussion and Analysis

FINANCIAL REVIEW

This year is full of opportunities and challenges. The gross turnover and loss attributable to the shareholders for the year ended 31 March 2020 are HK$1,857,438,000 and HK$306,758,000 respectively, representing a decrease of 30.5% and decrease of 0.8% respectively as compared with 15 months ended 31 March 2019 respectively. Loss per share decreased by 0.9% to HK4.47 cents.

Revenue

Revenue decreased by approximately 30.5% from approximately HK$2,670,934,000 for the 15 months ended 31 March 2019 to approximately HK$1,857,438,000 for the year ended 31 March 2020. Revenue derived from provision of finance leasing services for LNG vehicles and equipment increased by approximately 25.8% from approximately HK$10,552,000 for the 15 months ended 31 March 2019 to approximately HK$13,213,000 for the year ended 31 March 2020. Revenue derived from sales and distribution of LNG including point-to-point supply of LNG and wholesale of LNG decreased by approximately 32% from approximately HK$2,581,019,000 for the 15 months ended 31 March 2019 to approximately HK$1,752,781,000 for the year ended 31 March 2020, mainly due to the impact of the COVID-19 pandemic in the PRC. the significant decrease in demand for transportation and industrial gas consumption resulted in a decrease in revenue derived from sales and distribution of LNG. No revenue was derived from trading of securities for the year ended 31 March 2020. Revenue derived from provision of securities brokerage, bond placing, margin financing and securities investment business decreased by approximately 61% from approximately HK$15,638,000 for the 15 months ended 31 March 2019 to approximately HK$6,099,000 for the year ended 31 March 2020 as the Group reduced its securities brokerage business. Revenue derived from financial services through provision of money lending business decreased approximately 48.9% from approximately HK$32,079,000 for the 15 months ended 31 March 2019 to approximately HK$16,379,000 for the year ended 31 March 2020, which was mainly due to the fact that the Group lowered one client's loan interest rate.

Other income and other gains and losses

Other income and other gains and losses decreased by approximately 88% from approximately HK$8,425,000 for the 15 months ended 31 March 2019 to approximately HK$1,009,000 for the year ended 31 March 2020. The decrease in other income was mainly due to the loss on disposal of items such as property, plant and equipment.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 49.4% from approximately HK$38,511,000 for the 15 months ended 31 March 2019 to approximately HK$19,470,000 for the year ended 31 March 2020 because the Group reorganized its PRC sales team by reducing the number of sales staff from 98 to 49, resulting in a decrease in staff costs and employee benefit expenses, travelling expenses and entertainment expenses.

Management Discussion and Analysis

Administrative expenses

Administrative expenses decreased by approximately 38.6% from approximately HK$$190,162,000 for the 15 months ended 31 March 2019 to approximately HK$116,682,000 for the year ended 31 March 2020 because the Group reorganized its PRC administrative team by reducing the staff number from 223 to 124, resulting in a decrease in staff costs and employee benefit expenses, travelling and entertainment expenses.

Finance costs

Finance costs for the year ended 31 March 2020 increased by 15.3% from approximately HK$28,345,000 for the 15 months ended 31 March 2019 to approximately HK$32,693,000 for the year ended 31 March 2020, mainly due to the increase in the interest of finance lease arising from the Group's initial application of HKFRS 16 Lease.

Income tax expense

Income tax expense decreased from approximately HK$6,885,000 for the 15 months ended 31 March 2019 to approximately HK$2,218,000 for the year ended 31 March 2020. The decrease of income tax expense by 67.8% was due to the decrease in operating profit of certain subsidiaries in Hong Kong.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had total cash and bank balances of approximately HK$50,031,000 as at 31 March 2020 (2019: approximately HK$100,388,000). As at 31 March 2020, bank and other borrowings of the Group amounted to approximately HK$613,600,000 (2019: approximately HK$654,066,000), which include bank borrowings of approximately HK63,336,000 (2019: approximately HK$50,244,000), finance lease liability of HK$Nil (2019: approximately HK$13,151,000), loans from a shareholder of approximately HK$468,781,000 (2019: approximately HK$493,922,000), loans from joint ventures of HK$Nil (2019: approximately HK$47,907,000), loans from third parties of approximately HK$1,966,000 (2019: approximately HK$48,842,000) and lease liabilities of approximately HK$79,517,000 (2019: HK$Nil). The bank borrowings bear interest rate at the range of Loan Prime Rate + 0.5% to + 2.95% and the People's Bank of China benchmark interest rate 280%. The Group's gearing ratio calculated as net debt divided by total equity was 218% as at 31 March 2020 (2019: 119%). Net debt is calculated as bank and other borrowings, account payables, other payables and accruals and loan from a shareholder less bank balances and cash. Net debts were approximately HK$1,115,425,000 as at 31 March 2020 (2019: Net debts of approximately HK$1,075,978,000). The Group recorded total current assets value of approximately HK$462,514,000 as at 31 March 2020 (2019: approximately HK$690,387,000) and total current liabilities of approximately HK$654,142,000 as at 31 March 2020 (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 0.71 as at 31 March 2020 (2019: approximately 1.01). The current ratio continues to maintain a healthy condition. Currently, the Group's operating and capital expenditures are mainly financed by cash generated from operation, internal liquidity, bank borrowings and fund advanced from the controlling shareholders.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (period from 1 January 2018 to 31 March 2019: Nil).

RISK MANAGEMENT

The Group's principal financial instruments include 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 the Group's LNG business, trading of securities business, securities brokerage, bond placing, margin financing and securities investments business and money lending business. We also have various financial assets and financial liabilities arising from our business operations. The principal risks arising from our financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. We intend to achieve an appropriate balance between these risks and the investment returns so as to minimise the potential adverse impact on our business and financial condition.

Foreign currency risk

Transactions of the Group were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the year. The Group manages its foreign exchange risk by performing regular reviews of the Group's foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedging arrangements, if necessary. During the year ended 31 March 2020 and 15 months 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 risks and take actions as appropriate.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from mismatches in amounts or time with regard to the maturity of financial assets and liabilities. Our Group manages its liquidity risk through regular monitoring with the following objectives: maintaining the stability of the Group's principal businesses, 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 would consider hedging significant foreign currency and interest rate risk exposure should the need arise.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

1. On 24 July 2019, CLNG Natural Gas Co., Ltd. (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) ("Xinhemei"), entered into a 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, Jiangsu Gangyida Energy Co., Ltd.* (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 a 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.* (濮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, Zhejiang Gangneng Natural Gas Utilization Co., Ltd.* (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 a 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) ("Zhejiang Gangsheng") at a total consideration of RMB180,000. Completion of the share transfer took place on 27 September 2019 and Zhejiang Gangsheng ceased to be a subsidiary of the Group.

CAPITAL COMMITMENT

As at 31 March 2020, the total capital commitments by the Group amounted to approximately HK$317,731,000 (2019: approximately HK$198,838,000), which were mainly contracted commitments in respect of project construction and purchase of machinery and equipment.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2020 (2019: Nil).

STAFF AND REMUNERATION POLICIES

Human resources are our greatest assets. The Group always attaches great importance to the personal development of our employees. The Group believes that maintaining employees' passion and enthusiasm is the key to its continuous success and future development. Therefore, the Group has always emphasized the importance of talent cultivation and recruitment. The Group allocates resources in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. As at 31 March 2020, the Group had a total of approximately 878 employees (2019: 1,285 employees), of which 124 were administrative staff and operating staff; 491 were LNG truck drivers; 146 were technical staff; 68 were managerial staff and the remaining 49 were marketing staff. The Group's total staff costs amounted to approximately HK$75,122,000 (for the 15 months ended 31 March 2019: approximately HK$114,771,000) for the year ended 31 March 2020. The Group offers competitive remuneration packages to our employees. The Group determined remuneration of 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 with reference to the Group's performance as well as individual's performance.

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

Neither the Company nor any of its subsidiaries purchased or sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

OTHER MATTERS

Change of Auditor

During the year, the Company announced that Ernst & Young has resigned as the auditor of the Company with effect from 28 February 2020. The Board of Directors has resolved, with the recommendation from the audit committee of the Company, to appoint PKF Hong Kong Limited ("PKF") as the new auditor of the Company with effect from 4 March 2020 to fill the vacancy following the resignation of Ernst & Young, and to hold office until the conclusion of the next annual general meeting of the Company.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "Audit Committee") include the review and supervision of the Group's financial reporting process, risk management and internal controls. The Audit Committee has reviewed the unaudited consolidated financial result of the Group for the year ended 31 March 2020. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Dr. Kan Che Kin, Billy Albert ("Dr. Kan")

Dr. Kan, aged 68, was appointed as an executive Director, the chairman and the chief executive officer of the Company in May 2013. Dr. Kan graduated from the University of East Anglia in the United Kingdom with a Bachelor of Science degree. Dr. Kan further received a degree of Doctor of Civil Law honoris causa from the University of East Anglia in July 2016. Dr. Kan is a fellowship member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and a fellow of the Hong Kong Securities Institute. Dr. Kan had worked with Deloitte Touche Tohmatsu and KPMG and is equipped with extensive experience in accounting, taxation and corporate finance. In addition, Dr. Kan has over 30 years of experience in serving on the board of directors of financial institutions and listed companies in Hong Kong, including Security Pacific Credit Hong Kong Limited (a subsidiary of Security Pacific National Bank, taken over by Bank of America then by China Construction Bank), Burlingame International Company Limited (now renamed as EverChina Int'l Holdings Company Limited) (stock code: 202) and Warderly International Holdings Limited (now renamed as Fullshare Holdings Limited) (stock code: 607). Dr. Kan resigned as a director of EverChina Int'l Holdings Company Limited in September 2000 and of Fullshare Holdings Limited in December 2013. Dr. Kan is also a director of several wholly-owned subsidiaries of the Company. Mr. Li Kai Yien, Arthur Albert is a nephew of Dr. Kan.

Mr. Li Kai Yien, Arthur Albert ("Mr. Li")

Mr. Li, aged 47, was appointed as an executive Director in October 2007. Mr. Li graduated from University of Southern California with a Bachelor of Science degree in 1995. Mr. Li has been a Certified Public Accountant since 2001 and has more than 16 years' experience in accounting and securities dealing. Mr. Li is currently a dealer representative of Phillip Securities (HK) Ltd. Mr. Li is a nephew of Dr. Kan.

NON-EXECTIVE DIRECTORS

Mr. Simon Murray ("Mr. Murray")

Mr. Murray, aged 80, was appointed as an independent non-executive Director of the Company on 23 October 2014 and re-designated as a non-executive Director on 02 April 2015.

Mr. Murray founded the private equity fund management company General Enterprise Management Services Limited in 1998 and is currently the Chairman of their Advisory Board. He is a non-executive director of Greenheart Group Limited (Stock Code: 94), Wing Tai Properties Limited (Stock Code: 369) and Spring Asset Management Limited, the manager of Spring Real Estate Investment Trust (Stock Code: 1426), all of which are companies listed on the Hong Kong Stock Exchange.

Mr. Murray was an executive director of Hutchison Whampoa Limited (Stock Code: 13) and has previously acted as an independent non-executive director of Cheung Kong Property Holding Limited (now renamed as CK Asset Holdings Limited) (Stock Code: 1113). He was also the Executive Chairman of Deutsche Bank AG Asia Pacific and a non-executive director of Compagnie Financière Richemont SA (Stock Code: CFR), a company listed on the Swiss Stock Exchange, and now serves on their Advisory Board.

Mr. Murray was appointed a Commander of The Most Excellent Order of the British Empire (CBE) and a Chevalier within the Ordre national du Mérite of the French Republic (Chevalier de La Legion d'Honneur).

Mr. Murray holds an Honorary Degree in Law from Bath University and attended the Stanford Executive Program in the United States.

Biographical Details of Directors

Dr. Lam, Lee G. ("Dr. Lam")

Dr. Lam, aged 61, was appointed as a Non-Executive Director in April 2015. Dr. Lam earlier served as an Independent Non-Executive Director from October 2014 to April 2015. Dr. Lam is Chairman of Hong Kong Cyberport Management Company Limited, Non-Executive Chairman – Greater China and ASEAN Region of Macquarie Infrastructure and Real Assets, a member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-Industrialisation, and of the Court of the City University of Hong Kong, Convenor of the Panel of Advisors on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, President of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Vice Chairman of Pacific Basin Economic Council (PBEC), and a member of the Hong Kong Trade Development Council Belt and Road and Greater Bay Area Committee and the Sir Murray MacLehose Trust Fund Investment Advisory Committee.

Dr. Lam holds a BSc in Sciences and Mathematics, an MSc in Systems Science and an MBA from the University of Ottawa in Canada, an LLB (Hons) in law from Manchester Metropolitan University in the UK, a LLM in Law from the University of Wolverhampton in the UK, an MPA and a PhD from the University of Hong Kong. He is also a Solicitor of the High Court of Hong Kong (and formerly a member of the Hong Kong Bar), an Accredited Mediator of the Centre for Effective Dispute Resolution, a Fellow of Certified Management Accountants (CMA) Australia, the Institute of Public Accountants, the Institute of Financial Accountants, the Hong Kong Institute of Arbitrators, and the Hong Kong Institute of Directors, and an Honorary Fellow of Certified Public Accountants (CPA) Australia, the Hong Kong Institute of Facility Management, and the University of Hong Kong School of Professional and Continuing Education. In 2019, Dr. Lam was awarded by the Hong Kong Government a Bronze Bauhinia Star (BBS) for serving the public.

Dr. Lam is currently an Independent Non-executive Director of Aurum Pacific (China) Group Limited (Stock Code: 8148), CSI Properties Limited (Stock Code: 497), Elife Holdings Limited (Stock Code: 223), Greenland Hong Kong Holdings Limited (Stock code: 337), Haitong Securities Company Limited (Stock Code: 6837, 600837 on the Shanghai Stock Exchange), Hang Pin Living Technology Company Limited (Stock Code: 1682), Huarong Investment Stock Corporation Limited (Stock Code: 2277), Kidsland International Holdings Limited (Stock Code: 2122), Mei Ah Entertainment Group Limited (Stock Code: 391), and Vongroup Limited (Stock Code: 318). He is a Non-executive Director of National Arts Entertainment and Culture Group Limited (Stock Code: 8228), Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), Tianda Pharmaceuticals Limited (Stock Code: 455) and Mingfa Group (International) Company Limited (Stock Code: 846, re-designated from independent non-executive director on 23 April 2020) and the shares of all of which are listed on the Stock Exchange. Dr. Lam is also an Independent Non-executive Director of China Real Estate Group Limited (Stock code: 5RA), JCG Investment Holdings Ltd. (Stock code: VFP), Thomson Medical Group Limited (Stock Code: A50), Top Global Limited (Stock code: BHO), and Singapore eDevelopment Limited (Stock code: 40V, re-designated from non-executive director on 2 July 2020) all of which are listed companies on the Singapore Exchange. Dr. Lam is Independent Non-executive Director of Sunwah International Limited (Stock code: SWH), whose shares are listed on the Toronto Stock Exchange, AustChina Holdings Limited (Stock code: AUH), whose shares are listed on the Australian Securities Exchange and TMC Life Sciences Berhad (Stock code: 0101), whose shares are listed on the Bursa Malaysia, and Non-executive Director of Adamas Finance Asia Limited (Stock code: ADAM), whose shares are listed on the London Securities Exchange.

Dr. Lam was a non-executive director of China Shandong Hi-Speed Financial Group Limited (Stock Code: 412), Green Leader Holdings Group Limited (Stock Code: 0061 which he was appointed in June 2019 and resigned in July 2019) and Roma Group Limited (Stock Code: 8072), and an independent non-executive director of each of Hsin Chong Group Holdings Limited (Stock Code: 404) which shares were delisted on the Stock Exchange in December 2019, Glorious Sun Enterprises Limited (Stock Code: 393), Xi'an Haitiantian Holdings Co., Ltd. (Stock Code: 8227), all of which are listed on the Stock Exchange; and an independent non-executive director of Rowsley Ltd. (Stock Code: A50), a company listed on Singapore Exchange, and Vietnam Equity Holding (Stock Code: 3MS), a company listed on Stuttgart Stock Exchange.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Siu Yui ("Mr. Li")

Mr. Li Siu Yui, aged 49, was appointed as an independent non-executive Director in October 2007. He holds a Master's degree in Business Administration from University of Wales. He has over 20 years' experience in the area of investment. He was working in securities companies during the period from 1997 to 2002. Afterward, he has been engaged as an investment manager in two private companies.

He has been an independent non-executive Director of Jia Meng Holdings Limited from Jul 2017 to Jan 2020 (now renamed as EJE (Hong Kong) Holdings Limited) (Stock Code:8101). He was also an independent non-executive Director of Warderly International Holdings Limited (now renamed as Fullshare Holdings Limited) (stock code: 607) from June 2008 to December 2013.

Mr. Chow Ching Ning ("Mr. Chow")

Mr. Chow Ching Ning, aged 52, was appointed as an independent non-executive Director in September 2019. Mr. Chow was born in Hong Kong, grew up in Singapore where he had lived for over 8 years. He obtained a Bachelor degree (Hons) in Business Studies from the Hong Kong Polytechnic University and is a CFA Charterholder and a CPA (Fellow member) of the Hong Kong Institute of Certified Public Accountants (HKICPA). Mr. Chow has over 20 years of investment experience and is currently a Managing Partner with Radiant Tech Ventures, a HK-based venture fund manager that invests in technology-empowered sectors such as fintech, e/m-commerce, healthcare, smart cities, etc across various geographical markets: Hong Kong/China, Israel and South East Asia. Radiant Tech Ventures is a HK SFC-licensed asset management company and upholds the highest standard of corporate governance and business ethics and it is one of the six selected Co-Investment Partners of the HK SAR Government, through the ITVF scheme in 2018. Mr. Chow is a Type 9 licensed RO in Hong Kong.

Mr. Chow has been an independent non-executive Director of SinoSun Technology Co. Ltd., a company listed in Shenzhen Stock Exchange (SHE stock code: 300333) from April 2017 to May 2020.

Mr. Lam Lum Lee ("Mr. Lam")

Mr. Lam, aged 74, was appointed as an independent non-executive Director in May 2015. Mr. Lam, is currently chairman of China Information Industry Association (中華信息產業聯合會) and chairman of China Culture & Education Foundation (中華文化教育基金會). He was a committee member of Hong Kong Vocational Training Council of Electronic and Telecommunication Division (香港職業訓練局通訊及電子委員會), the president of Hong Kong Critical Components Manufacturers Association (香港關鍵性零部件製造業協會), the vice chairman of Hong Kong Electronic Technology Association (香港電子科技商會), and a director of Hong Kong Optoelectronic Association (香港光電子協會).

CORPORATE GOVERNANCE CODE

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

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

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

2. Under the Code Provisions A.4.1 and A.4.2, non-executive Director should be appointed for a specific term and each Director should be subject to retirement by rotation at least once every three years. The existing 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 Mr. Lam Lee G. were unable to attend the general meetings held on 30 August 2019 and three independent non-executive Director, Mr. Au Yeung Po Fung (resigned on 2 September 2019), Mr. Lam Lum Lee and Dr. Li Yao (resigned on 13 January 2020) were unable to attend the general meetings 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 meeting. As such, the Board considers that the development of a balanced understanding of the views of Shareholders among the non-executive Directors and independent non-executive Directors was ensured.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry of all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the year ended 31 March 2020.

BOARD OF DIRECTORS

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

Executive Directors

Dr. Kan Che Kin, Billy Albert *(Chairman)* (Note 1)
Mr. Li Kai Yien, Arthur Albert (Note 1)
Mr. Chen Li Bo *(Deputy Chairman)* (removed on 30 August 2019)
Mr. Lam Yu Yeung (appointed on 2 September 2019 and resigned on 6 March 2020)

Non-Executive Directors

Mr. Simon Murray
Dr. Lam, Lee G.

Independent Non-Executive Directors

Mr. Li Siu Yui
Mr. Lam Lum Lee
Mr. Au Yeung Po Fung (resigned on 2 September 2019)
Mr. Chow Ching Ning (appointed on 2 September 2019)
Dr. Li Yao (appointed on 20 June 2019 and resigned on 13 January 2020)

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

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

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

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

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

Corporate Governance Functions

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

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

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

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

BOARD DIVERSITY POLICY

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

Summary of the Board Diversity Policy

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

Measurable Objectives

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

Monitoring and Reporting

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

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

REMUNERATION COMMITTEE

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

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

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

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

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

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

The remuneration of the members of the senior management of the Group by band for the year ended 31 March 2020 is set out below:

Remuneration bands	Number of persons
Nil to HK$1,000,000	8
HK$1,000,001 to HK$2,000,000	1

Directors' emoluments comprise payments to the Directors by the Group in connection with the management of the affairs of the Group and other benefits. Further particulars regarding directors' remuneration and the five highest paid employees are shown in notes 7 and 8 to the consolidated financial statements.

AUDIT COMMITTEE

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

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

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

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

During the year, the Audit Committee held three meetings. Matters considered at the meetings included revision of the Group's 2019 annual results, 2019 interim result, recommendation for appointment of Auditor, the fees for engaging the external auditors to provide the audit for the year 2020, the independence of the external auditors, the fees for non-audit services, the Company's financial control, internal control and risk management system, accounting and finance matters.

NOMINATION COMMITTEE

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

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

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

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

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

	Attendance/Number of meetings held during the year				
Directors	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Annual general meeting
Executive Directors					
Dr. Kan Che Kin, Billy Albert *(Chariman)*	11/11	N/A	1/1	1/1	0/1
Mr. Li Kai Yien, Arthur Albert	11/11	N/A	N/A	N/A	1/1
Mr. Chen Li Bo (removed on 30 August 2019)	0/11	N/A	N/A	N/A	0/1
Mr. Lam Yu Yeung (appointed on 2 September 2019 and resigned on 6 March 2020)	6/11	N/A	N/A	N/A	1/1
Non-Executive Directors					
Mr. Simon Murray	11/11	N/A	N/A	N/A	0/1
Dr. Lam, Lee G.	11/11	N/A	N/A	N/A	0/1
Independent Non-Executive Directors					
Mr. Li Siu Yui	11/11	3/3	1/1	1/1	1/1
Mr. Lam Lum Lee	11/11	2/3	N/A	N/A	0/1
Mr. Au Yeung Po Fung (resigned on 2 September 2019)	1/11	1/3	1/1	1/1	0/1
Mr. Chow Ching Ning (appointed on 2 September 2019)	3/11	2/3	N/A	N/A	0/1
Dr. Li Yao (appointed on 20 June 2019 and resigned on 13 January 2020)	0/11	N/A	N/A	N/A	0/1

AUDITOR'S REMUNERATION

For the year ended 31 March 2020, the fee paid/payable to the Group's external auditor, PKF Hong Kong Limited, for the audit services was HK$750,000. The non-audit services paid/payable to other firms for taxation services was HK$30,500. In considering the re-appointment of the external auditor, the Audit Committee has taken into consideration their relationship with the Company and their independence in the provision of non-audit services. Based on the results of the review and after taking into account the opinion of the management of the Group, the Audit Committee recommended the Board to re-appoint PKF Hong Kong Limited as the external auditor of the Company for the year ending 31 March 2021, subject to approval by the Shareholders at the forthcoming annual general meeting to be held on 27 August 2020. There is no former partner of the existing firm auditing the accounts of the Company acting as a member of the Audit Committee within one year commencing on the date of his ceasing to be a partner of the firm. In addition, the Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered.

INTERNAL CONTROL

During the year ended 31 March 2020, the Board through the Audit Committee, has conducted a review of the effectiveness of the system of internal control of the Group to ensure that a sound internal control system is maintained and operated by the management in compliance with the agreed procedures and standards. The review has covered all material aspects of internal control including financial, operational and compliance controls and risk management functions of the Group.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Group for the year ended 31 March 2020. The Directors ensure that the audited consolidated financial statements of the Group for the year ended 31 March 2020 have been properly prepared in accordance with the statutory requirements and applicable accounting standards. A report of the independent auditor of the Group is set out on pages 47 to 51 of this annual report.

COMPANY SECRETARY

During the year, Mr. Lam Yu Yeung has resigned as a company secretary and Dr. Kan Che Kin, Billy Albert has been appointed as the company secretary of the Company with effect from 6 March 2020. The company secretary was responsible for advising the board through the chairman and the chief executive on governance matters and report to the chairman and the chief executive. During the year ended 31 March 2020, the company secretary have duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

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

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

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at chinalng.todayir.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website;

(iv) Annual general meeting and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management;

(v) the Company's share registrars' serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters;

(vi) Shareholders and the investment community may at any time make a request to the company secretary of the Company in writing for the Company's information to the extent such information is publicly available. The contacts details are set out in the "Company Information" section of the Company's website at chinalng.todayir.com; and

(vii) Publicly available news and information about the Company can also be sent to Shareholders who have subscribed to the service on the Company's website.

The Company's annual general meeting is a valuable forum for the Board to communicate directly with the Shareholders. Under Code Provision E.1.2, the chairman of the Board should attend the annual general meeting of the Company. The Chairman of the Board, Dr. Kan Che Kin, Billy Albert was unable to attend the annual general meeting of the Company held on 30 August 2019 as he had other important business engagement. However, the other executive director, Mr. Li Kai Yien, Arthur Albert, present at the annual general meeting who then took the chair of that meeting in accordance with Article 63 of the Articles of Association of the Company.

Mr. Li Siu Yui, the chairman of the Remuneration Committee, Audit Committee and Nomination Committee and Ernst & Young, the former external auditors of the Company had attended the AGM which held on 30 August 2019.

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

Two of the NEDs, Mr. Murray and Dr. Lam, and three INED, Mr. Au Yeung Po Fung (resigned on 2 September 2019), Mr. Lam Lum Lee and Dr. Li Yao (resigned on 13 January 2020) were unable to attend the 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 NEDs and INEDs was ensured.

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

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

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

Procedures for Putting forward Proposals at a General Meeting

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

Procedures for Proposing a Person for Election as a Director

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

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

1. Prepare a signed notice of intention to propose a Candidate for election. The notice has to be signed by a member other than the Candidate being proposed.

2. Obtain a notice signed by the Candidate stating his willingness to be elected.

3. Both notices, completed in accordance with Rules 13.51(2) of the Listing Rules, are to be submitted to the head office or the registration office at least 7 days before the dispatch of the notice of such general meeting.

4. Should the notice of the general meeting appointed for such election has been sent out, the period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and the last day to do so is 7 days before the date of such general meeting.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the company secretary of the Company whose contact details are set out in the "Company Information" section of the Company's website at chinalng.todayir.com.

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

Report of the Directors

The Board presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the principal activities of the Group are development of LNG businesses in China, including (i) in PRC, point-to-point supply and wholesale of LNG, provision of LNG logistic services, provision of finance leasing services for LNG vehicles, vessels and equipment as approved by the Chinese Ministry of Foreign Trade and Economic Cooperation; and (ii) in Hong Kong, trading of securities, provision of securities brokerage, margin financing and securities investments and financial services through provision of money lending business. The principal activities of its subsidiaries are set out in note 1 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 52 and 53 of this annual report. The Directors do not recommend the payment of any dividend for the year ended 31 March 2020.

SHARE CAPITAL

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

RELATIONSHIP WITH INVESTORS AND THE PUBLIC

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

ENVIRONMENTAL POLICIES

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

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the PRC while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong and the PRC. During the year ended 31 March 2020 and up to the date of this report, we have complied with all the relevant laws and regulations in Hong Kong and the PRC.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 156 of the annual report.

Report of the Directors

PLANT AND EQUIPMENT

Details of movement in plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company adopted the share option scheme (the "Share Option Scheme") on 30 August 2019, under which the Directors may grant options to eligible persons to subscribe for the Company's shares, subject to the terms and conditions stipulated therein.

Particulars of the Company's share option scheme (the "Share Option Scheme") and details of movements in the share options under the Share Option Scheme during the year ended 31 March 2020 are set out in note 33 to the consolidated financial statements and summarized as below:

Name or Category of grantee	Date of grant	Exercise period	Exercise Price (HK$)	As at 31 March 2019	Granted during the year	Exercised during the year	Cancelled during the year	Balance as at 31/3/2020
Directors								
Dr. Kan Che Kin, Billy Albert	31 December 2019	31/12/2021-31/12/2029	0.53	–	1,692,000	–	–	1,692,000
		31/12/2022-31/12/2029	0.53	–	1,692,000	–	–	1,692,000
		31/12/2023-31/12/2029	0.53	–	2,256,000	–	–	2,256,000
Mr. Lam Yu Yeung*	31 December 2019	31/12/2021-31/12/2029	0.53	–	720,000	–	(720,000)	–
		31/12/2022-31/12/2029	0.53	–	720,000	–	(720,000)	–
		31/12/2023-31/12/2029	0.53	–	960,000	–	(960,000)	–
Employees								
Mr. Wang Guoliang	31 December 2019	31/12/2021-31/12/2029	0.53	–	6,000,000	–	–	6,000,000
		31/12/2022-31/12/2029	0.53	–	6,000,000	–	–	6,000,000
		31/12/2023-31/12/2029	0.53	–	8,000,000	–	–	8,000,000
Mr. Tan Qisheng	31 December 2019	31/12/2021-31/12/2029	0.53	–	1,200,000	–	–	1,200,000
		31/12/2022-31/12/2029	0.53	–	1,200,000	–	–	1,200,000
		31/12/2023-31/12/2029	0.53	–	1,600,000	–	–	1,600,000
Total			–	–	**32,040,000**	–	**(2,400,000)**	**29,640,000**

* Ex-Director

The share options are vested as: (a) first 30% on the two-year anniversary from the date of grant; (b) next 30% on the three-year anniversary from the date of grant; and (c) remaining 40% on the four-year anniversary from the date of grant.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Dr. Kan Che Kin, Billy Albert *(Chairman)*
Mr. Li Kai Yien, Arthur Albert
Mr. Chen Li Bo
(removed on 30 August 2019)
Mr. Lam Yu Yeung
(appointed on 2 September 2019 and resigned on 6 March 2020)

Non-Executive Directors:

Mr. Simon Murray
Dr. Lam, Lee G.

Independent Non-Executive Directors:

Mr. Li Siu Yui
Mr. Lam Lum Lee
Mr. Au Yeung Po Fung
(resigned on 2 September 2019)
Mr. Chow Ching Ning
(appointed on 2 September 2019)
Dr. Li Yao (appointed on 20 June 2020 and resigned on 13 January 2020)

In accordance with the provisions of the Company's articles of association, Dr. Kan Che Kin, Billy Albert, Mr. Simon Murray, Dr. Lam, Lee G. and Mr. Chow Ching Ning will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

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

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

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

CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the four INEDs an annual confirmation for the year ended 31 March 2020 of his independence as required under Rule 3.13 of the Listing Rules and considers all the INEDs are independent.

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

As at 31 March 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO) or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Name of company in which interests were held	Nature of interests	Long position/ Short position	Number of Shares held	Approximate percentage of shareholding
Dr. Kan Che Kin, Billy Albert	The Company	Beneficial owner	Long position	3,518,173,139 Shares	62.34%
	The Company	Beneficial owner	Short position	169,543,940 Shares	3.00%
Mr. Li Kai Yien	The Company	Beneficial owner	Long position	200,000 Shares	0.00%
Mr. Simon Murray	The Company	Beneficial owner	Long position	5,000,000 Shares (Note)	0.09%
Dr. Lam, Lee G.	The Company	Beneficial owner	Long position	10,000,000 Shares (Note)	0.18%

Note:

These Shares represent the option shares, which were beneficially owned by Dr. Kan, were granted by Dr. Kan to Mr. 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.

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

Name of Director	Name of company in which interests were held	Nature of interests	Number of Shares held	Approximate percentage of interests in the capital of the associated corporation
Dr. Kan Che Kin, Billy Albert	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 31 March 2020.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2020, so far as was known to the Directors and chief executives of the Company, no other person (other than Directors or chief executives of the Company) had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 March 2020.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as set out in note 41 to the consolidated financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, nor had there been any contract of significance entered into between the Group and a controlling Shareholder of the Company during the year.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 7 and 8 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders of the Company as at 31 March 2020 and 31 March 2019 were as follows:

	31 March 2020 HK$'000	31 March 2019 HK$'000
Share premium	**434,385**	434,385
Special reserve	**112,369**	112,369
(Accumulated loss)/Retained profits	**(12,435)**	8,821
Total	**534,319**	555,575

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

MAJOR CUSTOMER AND SUPPLIER

Revenue attributable to the Group's five largest customers accounted for approximately 13% of the Group's total revenue for the year ended 31 March 2020 and revenue attributable to the largest customer included therein amounted to approximately 4%. Purchases from the Group's five largest suppliers accounted for approximately 46% of the Group's total purchases for the year ended 31 March 2020 and purchases from the largest suppliers included therein amounted to approximately 18%.

None of the Directors, their respective associates or any Shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in any of the lessee or customer of the Group for the year ended 31 March 2020.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors was interested in any business apart from the Group's business, which competed or was likely to compete either directly or indirectly with business of the Group during the year ended 31 March 2020.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, there was sufficient public float throughout the year ended 31 March 2020 and as at the latest practicable date prior to the publication of this annual report.

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

During the year ended 31 March 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INDEMNITY OF DIRECTORS

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

AUDITOR

During the year, the Company announced that Ernst & Young has resigned as the auditor of the Company with effect from 28 February 2020. The Board of Directors has resolved, with the recommendation from the audit committee of the Company, to appoint PKF Hong Kong Limited as the new auditor of the Company with effect from 4 March 2020 to fill the vacancy following the resignation of Ernst & Young, and to hold office until the conclusion of the next annual general meeting of the Company.

On behalf of the Board

Kan Che Kin, Billy Albert
Chairman

Hong Kong
29 June 2020

Environmental, Social and Governance Report

INTRODUCTION

This Environment, Social and Governance Report (the "ESG Report") summarizes the environmental, social and governance ("ESG") initiatives, plans and performance of China LNG Group Limited (the "Company") and its subsidiaries (the "Group" or "we") and illustrates its commitment to sustainable development.

As a comprehensive regional liquefied natural gas ("LNG") solutions provider, the Group endeavours to develop retail, trading and transportation businesses which leverage on the safety, reliability and cleanliness of LNG as an energy source in the People's Republic of China (the "PRC"). The Group agrees that it has responsibility regarding the environmental impact of its business, and therefore regards sustainable development as an ESG management policy. The Group is committed to handling ESG issues effectively and responsibly. As they are integral to our core business strategy, we believe that they are the key to our continuous success in the future.

ESG GOVERNANCE STRUCTURE

The Group has appointed employees from different departments to form an ESG Taskforce (the "Taskforce"), responsible for collecting information relevant to our ESG aspects for preparing the ESG Report. The Taskforce reports to the board of directors (the "Board") and assists in identifying and evaluating the Group's ESG risks and the effectiveness of its internal control mechanism. The Taskforce also examines and evaluates our ESG performance in various aspects, such as environment, health and safety, labor standards and product responsibility. The Board sets the general direction of the Group's ESG strategy and ensures the effectiveness of ESG risk management and internal control mechanism.

REPORTING SCOPE

The ESG Report covers the Group's LNG businesses in the PRC, including sales and distribution of LNG and provision of LNG logistics services in the context of ESG performance. These two business segments represent the Group's major sources of revenue, therefore they were selected as the basis for the ESG Report. We will expand the scope of disclosure in the future when the Group's data collection system is more matured and its sustainable development work is further enhanced.

REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 of the Rules Governing the Listing Securities on the Main Board of the Stock Exchange of Hong Kong Limited.

Information relating to the Group's corporate governance practices has been set out in the Corporate Governance Reporting on pages 17 to 24 of this annual report.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the period from 1 April 2019 to 31 March 2020 (the "Reporting Period" or "2020").

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a core element of the Group's sustainability work. We maintain close communication with stakeholders in order to understand and address their concerns. The Group establishes different communication channels with major stakeholders, regularly reports to stakeholders on the strategic sustainable development plan and its performance, consults different parties for their opinions and demands, so as to ensure that the Group's business practices meet shareholders' expectations. The Group's communication channels with different stakeholders and stakeholders' expectation and demands are shown as follows:

Stakeholders	Communication channels	Expectations and demands
The Board	• Regular board meetings • Daily communications and reporting	• Compliant operations • Financial results • Corporate sustainable development
Shareholders, institutional and individual investors	• Annual general meeting and notices • Regular corporate publications (including financial statements) • Circulars and announcements wherever necessary • Corporate website	• Compliant operations • Financial results • Corporate sustainable development
Employees	• Training activities • Team building activities • Regular performance assessment • Staff meetings • Daily communications and reporting	• Career development • Health and safety • Remuneration and benefits • Equal opportunities
Government and regulatory authorities	• Daily communications and reporting • Compliance management • Self tax-reporting • Information disclosure • Written communications wherever necessary	• Implementation of policies • Compliance with rules and laws • Tax payment as required by law • Business ethics • Community participation
Customers	• Customer activities • Satisfaction questionnaire • Telephone and face-to-face meetings	• Customer information and privacy protection • Business integrity and ethics
Suppliers	• Meetings • On-site inspection • Regular assessment • Exchange and mutual visits	• Fair competition • Business ethics and reputation • Product quality • Cooperation with mutual benefits
Communities	• Promoting employment • Community activities • Community investments	• Compliant operations • Promoting community development • Environmental protection
Media	• Corporate website • Circulars and announcements	• Compliant operations • Promoting community development • Environmental protection • Business ethics • Health and safety
Non-governmental organizations	• Corporate website • Circulars and announcements	• Promoting community development • Environmental protection • Health and safety

The Group is committed to working with different stakeholders to improve ESG performance, and continuously create greater value for the wider community.

MATERIALITY ASSESSMENT

The Group's management and staff from major functions have participated in the preparation of the ESG Report to assist the Group to review its operations, identify relevant ESG issues, and assess the importance of relevant matters relating to our businesses and stakeholders. Based on the assessment of significant ESG issues, a data collection questionnaire was prepared to collect information from relevant departments and business units.

The following table summarises the material ESG issues included in the ESG Report:

Environmental

Exhaust gas emissions	Greenhouse gas ("GHG") emissions	Sewage treatment
Waste management	Energy management	Water resources management
Providing alternative energy options	Prevention of construction pollution	Environmental protection activities

Social

Employment, promotion and dismissal	Remuneration and benefits	Equal opportunities
Employee care	Safety management system	Safety training
Training management	Prevention of forced labour	Prevention of child labour
Supply chain management	Customer service and privacy	Product safety
Internal audit system	Corporate social responsibilities	

The Group confirms that it has established appropriate and effective management policies and internal control systems for ESG issues and that the disclosed contents comply with the requirements in the ESG Reporting Guide. We will provide a more detailed disclosure of the issues that stakeholders are concerned about in the ESG Report. At the same time, results of the materiality assessment will serve as a guide for the Group in formulating ESG strategies and plans for the next year, and continue to drive the sustainable development process.

CONTACT US

We welcome stakeholders' opinions and suggestions. Please fax your advice relating to our ESG performance to (852) 3691 8282.

A. ENVIRONMENTAL

A1. Emissions

As a comprehensive regional LNG solutions provider, the Group strives to reduce pollutant emissions through operating a safe, reliable and clean LNG energy source. The Group actively responds to the state Energy Utilisation Policy and the 13th five-year plan that facilitates the structural adjustment of the PRC energy sector. By implementing stringent environmental protection policy, the Group actively executes its environmental protection responsibilities in the critical areas of engineering design, construction and operations. With the aim of reducing energy consumption and GHG emissions, the Group has been exploring operating models with less impact on the environment. The Group also recognizes the importance of environmental management, and strives to protect the environment as part of its social responsibility commitment.

Environmental, Social and Governance Report

The Group formulates and strictly executes energy management regulations, waste control procedures and hazardous waste management systems. These enable the Group to identify various types of emissions generated by its business, and monitor the emissions of various exhaust gases and GHG, sewage discharge and the generation of hazardous and non-hazardous waste, to ensure they are in compliance with national standards. The national standards include second-level standards of the prevailing Ambient Air Quality Standards, the IV type standard of the prevailing Environmental Quality Standard for Surface Water, the 2-4 type standard of the prevailing Environmental Noise Standard for Urban Areas, and the third-level standard of Discharge Limits of Water Pollutants.

The Group also fully complies with the Environmental Protection Law of the PRC, the Law of the PRC on Prevention and Control of Water Pollution, the Law of the PRC on Prevention and Control of Atmospheric Pollution, the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes, and other laws and regulations relating to environmental protection. Its various emissions and waste reduction measures are established and implemented accordingly. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to exhaust gas and GHG emissions, discharges into water and land, or generation of hazardous and non-hazardous waste that would have a significant impact on the Group.

Exhaust Gas Emissions

The Group's exhaust gas emissions are mainly generated through fuel combustion when transporting LNG. As such, the Group established a Vehicle Transportation Safety Management System and related measures to control fuel consumption and reduce exhaust gas emissions in order to fulfil its environmental responsibilities. The relevant measures are as follows:

- Limit the speed of vehicles to avoid excessive fuel consumption due to high vehicle speed;
- Refuel vehicle at designated gas stations by the Group to avoid using low-quality LNG and reduce exhaust gas emissions per unit of gas consumption; and
- Other control measures relating to fuel consumption will be described in the section headed "Energy Management" in aspect A2.

LNG, used by most of the Group vehicles, is relatively more environmental-friendly. During the Reporting Period, the Group's exhaust gas emissions from vehicles performance summary was as follows:

Types of exhaust gas	Unit	2020
Sulfur Oxides	tonnes	0.007
Nitrogen Oxides	tonnes	68.90
Particulate Matter	tonnes	5.03

GHG Emissions

The Group's principal GHG emissions are generated from the fuel combustion of vehicles during transportation (Scope 1) and purchased electricity (Scope 2). The Group has adopted environmental protection, energy saving and fuel consumption control measures to reduce GHG emissions during operations, relevant measures are detailed in the section headed "Energy Management" in aspect A2. Through the implementation of such GHG emissions reduction measures, employees' awareness on the reduction of GHG emissions has increased.

During the Reporting Period, the Group's GHG emissions performance summary was as follows:

Indicator[1]	Unit	2020
Direct GHG emissions (Scope 1) – Fuel combustion of vehicles	tCO_2e	16,150.63
Energy indirect GHG emissions (Scope 2) – Purchased electricity	tCO_2e	310.72
Total GHG emissions (Scope 1 and 2)	tCO_2e	16,461.35
Total GHG emissions intensity[2]	tCO_2e/million HKD revenue	9.04

Notes:

1. GHG emissions data are presented in tonnes of carbon dioxide equivalent, with reference to, including but not limited to, the "the GHG Protocol: Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, the latest released emission factors of China's regional power grid basis, "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange of Hong Kong Limited, "Global Warming Potential Values" from the IPCC "Fifth Assessment Report", and "2006 IPCC Guidelines for National Greenhouse Gas Inventories Volume 2 Energy" issued by the Intergovernmental Panel on Climate Change.

2. As at 31 March 2020, the revenue of the Group's sales and distribution of LNG and provision of LNG logistic services amounted to approximately HK$1,821,747,000. Such data will also be used to calculate other intensity data.

Sewage Treatment

The Group discharged domestic sewage during its daily operation and built its own sewage treatment system so that the treated sewage could meet the discharge standards. The domestic sewage was purified and discharged into municipal sewage network through underground sewage treatment system, and then discharged to its regional water purification plant for handling. Therefore, the Group's water consumption is equivalent to sewage discharge. The data on water consumption and relevant water saving measures are detailed in the section headed "Water Resource Management" in aspect A2.

Waste Management

The Group identifies and classifies waste, centralizes storage and disposes of waste accordingly. Designated responsible person disposes of waste from the recycling boxes set up in the office in a timely manner, and maintains a hygienic environment around the recycling box. The Group has taken specific measures for handling the following categories of solid wastes.

Hazardous waste

The principal hazardous waste disposed of by the Group is lubricant oil used in vehicle maintenance, including engine, brake, automatic transmission and gear lubricants generated during the vehicles maintenance process. During daily vehicle maintenance, the Group instructs technicians the appropriate use of lubricant oil to avoid unnecessary leakage. Hazardous waste generated by the Group was also handled by a qualified third-party to reduce pollution as much as possible. The Group also minimizes and avoid the use of harmful materials during operations. During the Reporting Period, the Group's hazardous waste disposal performance was as follows:

Types of hazardous waste	Unit	2020
Lubricant oil	tonnes	9.64
Total hazardous waste intensity	tonnes/million HKD revenue	0.005

Non-hazardous waste

The principal non-hazardous waste disposed of by the Group includes waste paper, old tyres and general wastes. The Group requires all departments and employees that generate solid waste to adopt measures to collect, sort and store waste. Each department must label the containers or designated locations for collecting the solid waste. Recyclable solid waste is sorted and stored in a designated place, and then recycled after a certain amount is accumulated. Non-recyclable production waste and domestic waste are collected and handled by qualified contractors.

In addition to disseminating waste reduction knowledge to employees through promotion boards, internal newsletters and campaigns, the Group also implemented the following measures in business operations to reduce the generation of non-hazardous waste, thereby reducing its carbon footprint and environmental impact.

- Encourage doubled-sided printing;
- Post reminders to reduce waste near rubbish bins or recycling bins;
- Support waste recycling plan, centralize all recyclable materials for collection by a qualified recycler; and
- Collect old tyres within the Group to increase recycling rate.

The Group also actively participates in waste recycling and reuse schemes in which most of the consumed materials (especially old tyres) are collected and recycled by contractors for reuse. 100% of the Group's old tyres are recycled for the reproduction of various products, rather than being sent to landfills. These measures not only demonstrate the Group's determination to preserve the environment and its effort in waste reduction, but also increase employees' awareness in wastes management at the same time. During the Reporting Period, the Group's non-hazardous waste disposal performance summary was as follows:

Types of non-hazardous waste	Unit	Total consumption	Total amount recycled	Total amount disposed
Paper	tonnes	12.06	10.43	1.63
General waste	tonnes	13.49	10.60	2.89
Tyres	tonnes	33.80	33.80	–
Total non-hazardous waste	tonnes	59.35	54.83	4.52
Total non-hazardous waste intensity	tonnes/million HKD revenue	N/A	N/A	0.002

A2. Use of Resources

The Group strives to use resources effectively and requires its employees to reduce unnecessary resources consumption. We continuously monitor the environmental impact of its business operations, promote green operational concepts and minimize the environmental impacts brought by the Group's operation. The Group attaches great importance to its overall energy consumption, explaining the standardized use of different energy types and the responsibilities of each department to department heads, and assigned specialized staff to monitor each department's energy consumption regularly. Incidents of abnormal consumption will be immediately investigated and solutions will be identified.

Energy Management

During daily operation, the Group's energy consumption was mainly electricity for operation and fuel consumed for transportation. The Group has established equipment energy conservation principles and requires employees to implement a range of energy saving measures. Relevant measures are as follows:

- Switch off computers (host or monitor) when employees are away for extended periods, and switch them to standby or sleep mode during lunch breaks;
- Use office appliances with energy labels;
- Switch off all appliances when not in use;
- Enhance the maintenance of air-conditioning systems, including washing tubes, cleaning filters, refilling oil to the monitor, etc., to reduce energy consumption;
- Overhaul and maintain vehicles regularly so as to reduce fuel consumption; and

- Require transportation personnel to use designated routes, thus reducing distances between destinations as much as possible.

Meanwhile, the Group's Human Resources Department is responsible for promoting reductions in electricity and fuel usage. It regularly reviews the performance of each department in these areas. Department heads are responsible for the promotion, monitoring and inspection of electricity saving and control of fuel consumption in their respective departments. Departments with large consumption of electricity and fuels are responsible for the maintenance and overhaul of relevant equipment. Through the above energy management measures, employees' awareness on energy conservation has been increased. During the Reporting Period, the Group's energy consumption performance summary was as follows:

Energy Type	Unit	2020
Direct energy consumption	MWh	67,499.75
Petrol	MWh	4,235.51
Diesel oil	MWh	125.37
LNG	MWh	63,138.87
Indirect energy consumption	MWh	480.10
Purchased electricity	MWh	480.10
Total energy consumption	MWh	67,979.85
Total energy consumption intensity	MWh/million HKD revenue	37.32

Water Resource Management

The Group's use of water resources mainly comprises domestic water, and we do not heavily rely on water resources. To further save water and utitlize water resources, the Group instills water conservation concepts into its employees. The Group has also established the following water saving regulations:

- Check water facilities for leakages or malfunctions, should these occur, responsive measures should be taken, or the situation should be reported to supervisors, and responsive plans should be established to prevent long-term leakage of production and domestic water;

- The discharge of domestic sewage should comply with relevant government laws and regulations;

- Water pipes should be regularly checked for the avoidance of "water running, seeping, dripping and leaking"; and

- Use of water resources and effectiveness of water saving measures are subject to review at the environmental management meeting. Whenever necessary, further effective water resources management measures should be proposed.

The Group also posts water conservation information and reminders in sink areas. Through the above water conservation measures, employees' awareness on water conservation has been increased. During the Reporting Period, the Group's water performance summary was as follows:

	Unit	2020
Total water consumption	m^3	7,102.43
Total water consumption intensity	m^3/million HKD revenue	3.90

Due to the geographical location of our operation, we do not have any issue in sourcing water that is fit for purpose.

Use of Packaging Materials

Due to its business nature, the Group neither produce any finished product, nor possess any industrial facilities, and therefore does not consume a significant amount of packaging materials in its daily operations.

A3. The Environment and Natural Resources

The Group is keenly aware of its business's impact on the environment and natural resources, and strives to achieve best practices in regard to environmental protection. In addition to complying with relevant environmental laws and regulations and international standards, the Group has integrated the concept of environmental and natural resources protection into its internal management and routine operations with the aim of achieving environmental sustainability.

Providing Alternative Energy Option

The Group has responded to the state's energy structural adjustment policy by continuously supplying green energy in support of urban development. Under the state's 13th five-year plan and the Energy Working Report issued by National Energy Administration dated 24 May 2011, related work of LNG vehicle utilisation and "coal-to-gas" conversion is encouraged. The Company has encouraged industrial users to upgrade their boilers and large furnaces, encouraged vehicle and vessel users to use natural gas fuel, and provided complementary gas supply services to all user types in the interest of saving energy, reducing emissions and improving the environment. The Group also participates in coal-related work which provides several rural areas and small industrial users with natural gas solutions.

Prevention of Construction Pollution

The Group collaborates with local government to plan for gas stations and pipelines, and makes adjustments to these plans from time to time based on actual needs. We strive to consolidate as many different functions into each gas station as is practical in order to save land resources. Hydrogeological survey and pipeline routing optimization are carried out in advance of high-pressure pipeline construction, as well as other preliminary preparations such as geo-hazard and environment assessments and soil and water conservation resolution. We test and monitor dust, noise and solid waste at construction sites to minimize their harmful effect on the local environment. During construction, the Group adopts measures such as cleaning vehicle tyres, centralizing disposal of waste water and mud and applying sound absorption and insulation techniques to minimize air, water and noise pollution.

Promotion of Environmental Protection Activities

The Group actively organizes activities such as tree planting and bicycling to promote environmental protection. The Group invites its staff and its customers to support its environmental protection through practical actions such as green planting, paperless office, and green and low carbon travel.

B. SOCIAL

B1. Employment

The Group follows a people-oriented development path with an emphasis on staff management, including the "Staff Management System" which covers employment, promotion and dismissal, remuneration and benefits, equal opportunities, and employee diversity, etc. It endeavours to create a better working environment for staff, reduce exposure to labour employment risks, and effectively eliminate the use of child and forced labour.

The Group complies with the Labour Law of the PRC, the Labour Contract Law of the PRC and Regulations on Work-related Injury Insurances, as well as other applicable laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to human resources.

Employment, Promotion and Dismissal

At the start of their employment, each employee enters into a written labour contract with the Group. The Group requires employees to provide his/her complete personal information and provide relevant documents such as academic certificates, original copy of proof of identity, proof of contract termination issued by former employers, medical examination certificates, etc. The Human Resources Department will verify and photocopy the original copies. All information and materials provided should be true and valid.

Employee promotions are not solely based on his/her length of service, but also his/her performance, job-specific skills, experience, ability and attitude. Individuals are evaluated on their work performance, behaviour and attitude. Results serve as the basis for personal and career development as well as determining remuneration. Performance assessments also enable the Group to carry out performance management of employees. Performance management aims to enhance employee communication and promote their development. Through the engagement of performance management, employees can communicate with and provide feedback to their direct supervisors in an open and honest manner. The Human Resources Department is responsible for monitoring and managing the results of performance assessment, which serve as the basis for year-end bonuses, basic salary increments, promotions and position adjustments. The results are categorised as 'excellent', 'good', 'pass' or 'fail'. If an employee's performance is assessed as a 'fail', it implies that they are incompetent, and are not entitled to a salary increment or promotion in the next 12 months, or awarded a bonus for the assessment period. The Group has the right to adjust the employee's position or arrange training for him/her, and establish performance improvement and assessment targets. Should the employee still fail the assessment, it can be taken as a basis for the Group to terminate his/her labour contract.

The Group can unilaterally terminate a labour contract in any one of the following situations:

(1) Proved unqualified for employment during the probation period;

(2) Found in serious violation of labour disciplines or the Group's rules and regulations;

(3) Engaged in serious gross negligence and malpractice, or caused significant losses to the Group;

(4) Establishing labour relations with another employer at the same time, which seriously affects completion of the Group's work tasks, or refuses to make corrections upon the request of the Group;

(5) Used such means as deception or coercion, or taking advantage of the Group's difficulties, to cause the Group to conclude an employment contract, or to make an amendment thereto, which is contrary to the Group's true intent; and

(6) Investigated for criminal liability according to law.

Remuneration and Benefits

The Group follows a people-oriented development path with an emphasis on staff management, and established systems such as "Staff Management System". It endeavours to create a better working environment for staff, reduce exposure to labour employment risks, and effectively eliminate the use of child and forced labour.

The Group is implementing a five-day week and eight-hour day working arrangement. Its staff members enjoy all holidays set by the state and local governments and are entitled to paid leave ranging from five to 15 days, depending on their length of service. Employees are entitled to five insurances, a housing fund and other benefits. The Group also provides commercial health and accident insurance to its employees.

The Group is implementing a master budget management regarding remuneration, which comprises a performance-based reward system that aims to motivate staff to contribute to the Group. An incentive scheme linking the remuneration of management to the Group's performance has also been established, forming a floating mechanism for management remuneration.

Employee remuneration includes basic salary, allowance and other cash income of any other forms such as bonuses. The Group will deduct amounts payable for social insurance, provident fund and income tax from employees' monthly salaries, and direct the deducted amounts on the employees' behalf to the appropriate government authorities. The Group reviews and adjusts employee remuneration according to major factors such as operating conditions, prevailing market rates and individual performance on a regular or irregular basis. The Group participates in social insurance and housing funds in accordance with state laws and regulations. The benefits offered by the Group also include:

(1) Supplementary business insurance: applicable to full-time employees of the Group, including group personal accident insurance and group hospital and surgical insurance; and

(2) Medical check-up scheme: The Group will arrange medical check-ups for employees on a regular basis. This scheme is applicable to full-time employees who have served more than three months.

Equal Opportunities

The Group has made solid progress in human resources development and management. It has promoted standardization, professionalism, marketization and globalization of its talent pool, and strengthened its human resources management in order to further enhance the training of talents. New initiatives adopted for main human resources tasks are as follows:

(1) Implemented a talent strategy to further enhance training, strove to build a talent team with strong technical skills and a professional work culture; and

(2) Deepened three systematic reforms. In 2016, based on the "fixed position, fixed schedule, fixed staff" scheme, benchmarking other advanced enterprises in the same industry in the PRC, and taking into consideration the performance assessments of all staff, the Group progressively adopted a dynamic management approach based on the requirements of positions and annual performance appraisal results, in compliance with relevant laws and regulations.

The Group's recruitment and employee development are fair and objective. As long as an individual has relevant qualifications, achievements, skills and experience, they can be employed as an employee or consultant regardless of their personal/familial relationship with other Company employees. The same principal of fairness is applied to remuneration and benefits, promotion and position adjustment, and the employee's future development.

Employee Care

The Group has a well-established system of fully executing national regulations and standards. We educate our staff on matters relating to production safety and occupational health, and ensure both through implementation of a comprehensive Operational Safety and Management System Manual, enhance staff training, daily supervision, and quality and safety standardisation. In the course of their implementation, the Company maintains employer's liability insurance to protect staff interests. The Group cares for its female staff, and has made efforts to improve staff's working and living environments, and provides annual medical check-ups. We also provide complementary commercial health insurance and medical support to reduce the financial burden on staff members. The Group frequently holds activities to celebrate staff members' birthdays.

B2. Health and Safety

The health and safety of employees is of paramount concern to the Group. Each subsidiary has established regulatory systems for production safety and occupational disease prevention and control. Specific departments are assigned to oversee production safety and reduce occupational health hazards.

Following the principle of "placing safety as the top priority, taking precautions as the main task and providing comprehensive treatment", the Group emphasises major responsibilities in ensuring production safety. It conducts promotion, education and training on production safety, especially for new staff members. The Group continuously works to meet production safety standardization targets. Large-scale inspections are performed regularly to eliminate potential hazards in a timely manner. The Group also arranges annual medical check-ups for staff its members. These measures have enhanced our level of occupational health and safety and environmental management.

We fully enforce laws and regulations such as the Labour Law of the PRC, Prevention and Control of Occupational Diseases Law of the PRC and the Fire Prevention Law of the PRC. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to employees' health and safety.

Safety Management System

In order to further establish a long-term mechanism of corporate production safety, enhance the quality of corporate safety management, protect the life and property of employees and ensure the consistent development of its safety and economic culture, the Group's Logistics and Trade Department formulated safety production management systems with reference to the requirements of the Administrative Provisions on Road Transportation of Dangerous Goods (Order of the Ministry of Transport [2013] No. 2) and the Shanghai Regulation on the Safety Management of Hazardous Chemicals (Order of Shanghai Municipal People's Government No. 56, promulgated on 16 February 2006).

To meet market demand and customer expectations, the Group has taken actions to optimise its health, safety and environmental management. According to the Q/SHS0001.1-2001 Safety Environment and Health (HSE) Management System standard and the requirements of GB/T24001-2004 "Environmental Management System and Specifications and Usage Guidelines" and GB/T28001-2001 "Occupational Health and Safety Management System Specifications", the Group's natural gas department issued a "HSE Management System Manual" on 1 February 2019. All employees must follow the requirements of the HSE management system, implement management policy and the provisions of the implementation manual, and strive to achieve the HSE objectives and service commitments of the Group. Externally, the Group demonstrates its assurance of occupational health and safety and environmental work and fulfils its commitment to customers. Internally, all employees are engaged in the whole process of carrying out all-round occupational health and safety and environmental work.

Safety Training

Production safety is the fundamental right of labour, and employees also bear its obligation. Every employee is required to know how to perform their work without causing injury to themselves or others, and without being hurt by others. Employees are obligated to abide by the law, obey management, and accept training to improve their ability to identify hazards, protect themselves and protect the Company.

The Group's headquarters and its subordinate companies offer regular employee safety training which provides a solid foundation for improvements to their emergency plan. The training aims to strengthen employees' safety knowledge in the hazardous chemicals industry to prevent accidents. This training has greatly improved the safety awareness of our employees, as well as improving the identification and rectification of safety management inadequacies in routine operations.

B3. Development and Training

Training Management

The Group regards its staff as the most important asset and resources. We recognise the valuable contribution our talents make to the continued success of the Group. We are committed to inspiring our human capital in pursuit of excellence. This is achieved through development of training strategy that focuses on creating value and serving the needs of our customers, our talents and the society. In light of this, the Group provides regular training and development programmes for its employees.

To ensure the effectiveness of the training programme, the Group developed relevant policies covering training management and training procedures, and monitored the training related processes. A training plan is developed by management based on the requirements from various departments and employees. Training content is regularly updated to ensure it is relevant to stakeholders' changing needs such as changes in laws and regulations, market trend, product trend and customer behaviour. The Group encourages and supports its employees to participate in personal and professional training to fulfill the needs of the Group's development. The Group also encourages the culture of sharing knowledge and experience. On the other hand, we provide on-the-job training to new employees of the Group.

B4. Labour Standards

Under its "people-oriented" development philosophy, the Group attaches a high priority to employee management. It has accordingly established an "employee management system" and other systems to provide a good working environment, reduce labour risks and effectively eliminate child and forced labour.

The Group complies with relevant laws and regulations relating to the prevention of child and forced labour, including the Labour Law of the PRC, the Special Protection Regulations for Juvenile Workers, and Provisions on the Prohibition of Using Child Labour. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to child and forced labour.

Prevention of Forced Labour

The Group implements a work system of five-day a week, eight hours a day. Employees enjoy all holidays prescribed by the PRC and local governments, as well as paid leave. Depending on the duration of employment, the length of paid leave can vary between five to 15 days.

The working hours for full-time employees are no more than eight hours per day, with the average weekly working hours at no more than 40 hours. The salary of full-time employee is calculated on a monthly basis. In respect to part-time employees (referring to fixed employees with an average of not more than four hours of daily working hours and not more than 24 hours of accumulated weekly working hours), their wages are calculated in hours.

Prevention of Child Labour

The Group fully implements the Provisions on the Prohibition of Using Child Labour and the Provisions on the Special Protection of Juvenile Workers of the State Council, and complies with the BSCI standards. During the recruitment process, the Group carries out a rigorous inspection of each candidate's identity card. Candidates may only begin their employment once their photos have been verified. The Group also checks candidates' ages to avoid the use of child labour. If child labour is inadvertently used, immediate remedial measures are required. "Child labour" means a minor of under 16 years of age who works in any part of the Group.

The Group implements the Provisions on the Prohibition of Using Child Labour and the Provisions on the Special Protection of Juvenile Workers of the State Council, and complies with the BSCI standards. During recruitment, the Human Resources Department must conduct a rigorous inspection of the identity card of the candidates and verify the photo before the candidates are formally employed.

B5. Supply Chain Management

Supplier Management

The Group regulates supplier management, strictly implements a credit approval process, and implements transparent management of procurement bidding. Supplier selections follow the processes below:

(1) Thorough review of the qualifications, technical standards and production capacity of the nominated supplier, and suppliers who pass this review are included on the list of qualified suppliers.

(2) Select qualified suppliers to purchase materials from the list of qualified suppliers. Tender invitations are sent to more than five qualified suppliers, and preliminary evaluation review of the bids are conducted. When the suitable supplier is finally determined, a procurement contract will be signed based on the comprehensive evaluation results.

In addition, the Group also takes measures to examine whether its major suppliers are in compliance with relevant laws and regulations and other required standards for the environment, health, safety, forced labour and child labour, and examine the suppliers' awareness in the above aspects.

B6. Product Responsibility

The Group attaches great importance to its product quality and corporate reputation. We actively safeguards the quality of our products and service with our internal control process. The Group also maintains on-going communication with its customers to ensure understanding and satisfaction of their demand and expectations, as well as to constantly improving its services by knowing their satisfactory rates.

The Group actively complies with laws and regulations in relation to consumers' rights such as the Law of the PRC on Protection of Consumer Rights, the Advertising Law of the PRC and the Patent Law of the PRC. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to privacy issues and compensation relating to health and safety, advertisement, labelling, and products and service provided.

Customer Service and Privacy

The Group reviews all complaints from its customers, suppliers and partners in accordance with internal procedures and guidelines, and takes appropriate follow-up actions. If applicable, the Group will conduct relevant investigations and resolve them and make improvements as needed. The Group believes that complaints are a good opportunity to receive feedback from the community and customers, so that the need to improve services and policies can be identified.

In addition, the Group manages customer profiles on a prudent and meticulous basis to prevent the leakage of customer privacy. Customer information and data is treated as part of the Group's resources, sales, sharing, or disclosure of which is not permitted regardless of any purpose. Each employee is required to safeguard customer's information and data in accordance with the corporate regulations.

Product Safety

The Group attaches great importance to the safety of the LNG business, and complies with the relevant agreements on the transportation of dangerous goods, such as the "Provisions on the Administration of Road Transport of Dangerous Goods". We will conduct careful checks on vehicles transporting LNG prior to departure to ensure they will not result in unnecessary personal and property risks during the transportation process and sales. Before the trucks enter the industrial enterprise factories for loading and unloading LNG, we will check the leakage and damaging level of containers, tanks, packaging containers, trucks and trailers, as well as safety equipment, and verify the name, specifications and quantity with the waybill. If there are any abnormalities and inconsistencies with the waybill, the loading should be rejected, and resume the loading after the problems are solved.

The Group also has strict requirements for purchasing LNG. We require to obtain relevant gas quality reports before purchasing to ensure the purchased LNG meets the national temperament standards before selling, so as to protect customers' safety and guarantee the quality of LNG.

Advertising and Labelling

Based on the nature of the business of the Group, the Group only conducts limited publicity campaigns. Therefore, the Group's business operations do not involve significant advertising and label related risks.

B7. Anti-corruption

In accordance with the "Corporate Governance Code" of the Hong Kong Stock Exchange, the "Corporate Governance Report" and the laws and regulations of the PRC and the relevant regulations and systems of the Group, we independently exercise internal audit authority for, assess the risk management of, and test the operational segment, financial system and economic efficiency of each department and each subsidiary, and inspect the completeness and effectiveness of the internal control system. For this purpose, the Group has established an Internal Audit Department led by the Internal Audit Executional Committee and issued the "Internal Audit Management System of China LNG Group Limited".

We strictly abide by the Company Law of the PRC, Tendering and Bidding Law of the PRC, Criminal Law of the PRC, Anti-unfair Competition Law of the PRC, the Interim Provisions on Banning Commercial Bribery and other laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud or money laundering.

Internal Audit System

The scope of internal audit covers:

(1) Each subsidiary, management headquarter, department under the Group;

(2) Each project department; and

(3) Other matters and personnel.

The content of the internal audit includes:

(1) Financial activities and financial works, which mainly include the regulation of economic activities in relation to financial revenue and expenditure, the implementation and settlements of financial budgets, asset management and operation performance, authenticity, legality and efficiency of financial revenues and expenditures and other financial information, etc.;

(2) The internal control system of the Company, which mainly includes monitoring of the soundness of the internal control system, assessment of the effectiveness of implementation of the internal control system, and the internal control system's alignment with the expected goal;

(3) Economic business activities, which mainly include inventory receipt and delivery management, selling price management, sales returning amount and other business management processes and controlling measures of the process, the establishment of construction and fixed asset investment projects, funding sources, as well as budgets, settlements, completion and commencement of construction, etc, and joint ventures, associates, cooperative enterprises and project investment capital, property use and its effects; and

(4) The resignation audit, which mainly includes the performance of duties and work handover of senior management of the Company during their term of office, and the implementation of economic responsibility audits during the term of office.

B8. Social Investment

Corporate Social Responsibility

The Group takes an active stance on assuming corporate responsibility in order to enhance its corporate responsibility awareness, perform its social responsibilities. The Group has formulated the Corporate Social Responsibility Policy, and has integrated corporate social responsibility considerations into its operations, engage its stakeholders, and implement responsible corporate governance. We endeavours to achieve the goal of "Tackling Smog, Improving the Environment" by disclosing relevant information to the public:

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

Over the short period of approximately four years since the commencement of LNG businesses, the Group has responded to the state's environmental protection policy, promoted the effective utilisation of natural gas and development of an environmental protection business, gradually deployed LNG utilisation in every province and city for industrial corporate users, and refined its supply chain system. Collectively these efforts have formed a healthy clean energy industry, greatly reduced pollutant emissions, fulfilled corporate social responsibilities, and earned the Group a sound corporate image. Staying true to its "Tackling Smog, Improving the Environment" concept, the Group has suggested guidelines to promote the development of an environmental protection business of clean energy in the PRC.

(2) Participating in the establishment of public association and platforms

The Group's fundamental platform for communicating with stakeholders has improved its public image and influence. The Group has maintained prompt communication with stakeholders, through issuing documents such as the ESG reports and making timely disclosures of important information, thus fulfilling its social responsibilities to stakeholders (including shareholders, employees, users, media and the community) and natural environment. The above efforts demonstrated the Group's dedication to "Tackling Smog, Improving the Environment".

To the shareholders of China LNG Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China LNG Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 52 to 155, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1(b) to the consolidated financial statements which indicates that the Group incurred a net loss of HK$306,758,000 for the year ended 31 March 2020 and as of that date, the Group had net current liabilities of HK$191,628,000. These conditions, along with other matters as set forth in note 2.1(b) to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements.

In addition to the matter described in the "Material uncertainty related to going concern" section, we have determined to communicate in our report the following key audit matters for the year ended 31 March 2020.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of receivables under LNG finance lease arrangements, LNG finance lease receivables, loan receivables and accounts receivables	
As at 31 March 2020, the gross amounts of receivables under LNG finance lease arrangements, LNG finance lease receivables, loan receivables and accounts receivables arising from dealing in securities and LNG business are HK\$23,343,000, HK\$33,588,000, HK\$167,115,000, HK\$53,074,000 and HK\$75,051,000 respectively. As at 31 March 2020, reversal of impairment of HK\$1,195,000, impairment of HK\$1,605,000, HK\$63,221,000, HK\$37,834,000 and HK\$14,004,000 were made against receivables under LNG finance lease arrangements, LNG finance lease receivables, loan receivables and accounts receivables arising from dealing in securities and LNG business, respectively, by management. In particular, in assessing the expected credit loss of a loan receivable of HK\$96,185,000, management estimated the future cash flows based on the expected disposal price through realising collateral. Significant judgement and estimation by management are involved in the assessment of impairment, based on the lifetime expected credit loss to be incurred, by taking into account the carrying amounts of these receivables, the estimation of future cash flows expected to arise from the settlement of the receivables or realisation of collateral. Both current and future general economic conditions are also taken into consideration by management in the estimation. The accounting policies, accounting judgements and estimates and disclosures for these receivables are included in notes 2.4, 2.5, 19, 20, 22, 23 and 43 to the consolidated financial statements.	Our audit procedures in relation to management's impairment assessment included: • Review management's assessment on the recoverability of these receivables balances with reference to various factors such as historical settlement trend and settlement received from customers subsequent to the end of the reporting period; • Check the accuracy of the ageing classification of these balances on a sample basis; • Evaluate management's assessment of the credit quality of individual customers based on the customer types and repayment patterns of customers, and examined the underlying value of the collateral; • Examine the information used by management to estimate the loss allowance for these receivables, including testing of the historical default data, evaluating adjustment made to the historical loss rates based on current economic conditions and forward-looking information by checking to the published macroeconomics factors; and • Assess the sufficiency of the disclosures.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment	
As at 31 March 2020, the Group had property, plant and equipment of a net carrying amount of HK$470,054,000 representing approximately 28% of its total assets. Impairment testing was performed when impairment indicators were identified. Impairment loss incurred when the carrying amount of an asset exceeds its recoverable amount. Significant judgement and estimates from management is involved in estimating the recoverable amount of an asset using value-in-use method or fair value less costs of disposal. Certain key assumptions that require significant management judgement, including estimated useful life of the asset, costs expected to be incurred in replacing an asset and depreciation/obsolescence status of the asset, discount rate, etc. are involved in the estimation by management with reference to an independent valuation carried out by an external valuer. The accounting policies, accounting judgements and estimates and disclosures for the property, plant and equipment are included in notes 2.4, 2.5 and 12 to the consolidated financial statements.	Our audit procedures in relation to management's impairment assessment included: • Review the management's valuation assessments and evaluate whether the method of estimation and assumptions made are appropriate; • Evaluate the competence, independence and works performed by experts engaged by the management to assess their estimation; and • Re-calculate the estimation made by the management.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

* Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

* Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

* Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

PKF Hong Kong Limited
Certified Public Accountants

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

29 June 2020

Consolidated Statement of Profit or Loss

Year ended 31 March 2020

	Notes	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
REVENUE	4	**1,857,438**	2,670,934
Cost of sales		**(1,848,363)**	(2,649,081)
Gross profit		**9,075**	21,853
Other income and other gains and losses	4(ii)	**1,009**	8,425
Selling and distribution expenses		**(19,470)**	(38,511)
Administrative expenses		**(116,682)**	(190,162)
Reversal of impairment/(impairment) of receivables under LNG finance lease arrangements		**1,195**	(7,824)
(Impairment)/reversal of impairment of LNG finance lease receivables		**(1,605)**	2,401
Impairment of property, plant and equipment		**(21,864)**	–
Impairment of loan receivables		**(63,221)**	(1,016)
Impairment of accounts receivables arising from dealing in securities		**(37,834)**	(4,779)
Impairment of accounts receivables arising from LNG business		**(14,004)**	(5,055)
Impairment of interests in associates		**(5,350)**	(5,070)
Finance costs	6	**(32,693)**	(28,345)
Share of profits/(losses) of:			
Joint ventures		**369**	29
Associates		**(3,465)**	306
LOSS BEFORE TAX	5	**(304,540)**	(247,748)
Income tax expense	9(a)	**(2,218)**	(6,885)
LOSS FOR THE YEAR/PERIOD		**(306,758)**	(254,633)
Attributable to:			
Owners of the parent		**(252,203)**	(254,328)
Non-controlling interests		**(54,555)**	(305)
		(306,758)	(254,633)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
– Basic		**(HK4.47 cents)**	(HK4.51 cents)
– Diluted		**(HK4.47 cents)**	(HK4.51 cents)

Consolidated Statement of Comprehensive Income

Year ended 31 March 2020

	Notes	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
LOSS FOR THE YEAR/PERIOD		**(306,758)**	(254,633)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**(81,306)**	(31,971)
Release of exchange differences upon disposal of subsidiaries	36	**(286)**	3,625
		(81,592)	(28,346)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		**(388,350)**	(282,979)
Attributable to:			
Owners of the parent		**(315,484)**	(275,666)
Non-controlling interests		**(72,866)**	(7,313)
		(388,350)	(282,979)

Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**470,054**	613,703
Prepaid land lease payments	13	**–**	37,721
Goodwill	14	**876**	930
Other intangible assets	15	**7,216**	9,086
Right-of-use assets	16	**107,219**	–
Interests in joint ventures	17	**124,804**	132,019
Interests in associates	18	**7,622**	16,161
Deposits for acquisition of plant and equipment		**109,932**	179,337
Deposits for acquisition of land use rights		**110,621**	89,991
Other assets	12	**285,285**	305,271
Receivables under LNG finance lease arrangements	19	**–**	9,165
Statutory deposits		**250**	250
Total non-current assets		**1,223,879**	1,393,634
CURRENT ASSETS			
Inventories	21	**10,585**	21,242
Receivables under LNG finance lease arrangements	19	**6,342**	8,082
LNG finance lease receivables	20	**6,468**	8,447
Loan receivables	22	**102,878**	186,804
Accounts and other receivables, prepayments and deposits	23	**284,620**	350,177
Bank balances held on behalf of clients	24	**1,590**	15,247
Cash and cash equivalents	25	**50,031**	100,388
Total current assets		**462,514**	690,387
CURRENT LIABILITIES			
Accounts payables	26	**86,731**	77,251
Other payables and accruals	27	**467,091**	550,213
Interest-bearing bank borrowings	28	**63,336**	50,244
Lease liabilities	29	**33,046**	–
Tax payable		**3,938**	3,319
Total current liabilities		**654,142**	681,027
NET CURRENT (LIABILITIES)/ASSETS		**(191,628)**	9,360
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,032,251**	1,402,994

Consolidated Statement of Financial Position

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Obligations under finance lease	30	**–**	4,736
Lease liabilities	29	**46,471**	–
Loans from a shareholder	27	**468,781**	493,922
Deferred tax liabilities	9(b)	**4,330**	3,907
Total non-current liabilities		**519,582**	502,565
Net assets		**512,669**	900,429
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**112,876**	112,876
Reserves	32	**30,223**	344,932
		143,099	457,808
Non-controlling interests		**369,570**	442,621
Total equity		**512,669**	900,429

Approved and authorised for issue by the board of directors on 29 June 2020.

Kan Che Kin, Billy Albert
Director

Li Kai Yien, Arthur Albert
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2020

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Share option reserve** HK$'000	**Special reserve** HK$'000 (note 32)	**Exchange reserve** HK$'000	**Retained profits/ (accumulated losses)** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2018	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 loss for the period, net of tax:									
Exchange differences on translation of foreign operations	–	–	–	–	(21,338)	–	(21,338)	(7,008)	(28,346)
Total comprehensive loss for the period	–	–	–	–	(21,338)	(254,328)	(275,666)	(7,313)	(282,979)
Disposal of a subsidiary (note 36(d))	–	–	–	–	–	–	–	(39,953)	(39,953)
Acquisition of additional interests in subsidiaries (note 37)	–	–	–	(20,964)	–	–	(20,964)	(1,337)	(22,301)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	8,948	8,948
Conversion of convertible notes (note 31(a))	554	33,106	–	–	–	–	33,660	–	33,660
At 31 March 2019	112,876	434,385*	–*	(11,594)*	(14,707)*	(63,152)*	457,808	442,621	900,429
Loss for the year	–	–	–	–	–	(252,203)	(252,203)	(54,555)	(306,758)
Other comprehensive loss for the year, net of tax:									
Exchange differences on translation of foreign operations	–	–	–	–	(63,281)	–	(63,281)	(18,311)	(81,592)
Total comprehensive loss for the year	–	–	–	–	(63,281)	(252,203)	(315,484)	(72,866)	(388,350)
Share-based payments	–	–	825	–	–	–	825	–	825
Cancellation of share options	–	–	(50)	–	–	–	(50)	–	(50)
Disposal of a subsidiary (note 36)	–	–	–	–	–	–	–	(185)	(185)
At 31 March 2020	112,876	434,385*	775*	(11,594)*	(77,988)*	(315,355)*	143,099	369,570	512,669

* These reserve accounts comprise the consolidated reserves of HK$30,223,000 (2019: HK$344,932,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 March 2020

	Notes	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before tax:		**(304,540)**	(247,748)
Adjustments for:			
Gain on disposal of subsidiaries		**(8,544)**	(3,578)
Loss/(gain) on disposal of items of property, plant and equipment		**4,070**	(242)
Gain on disposal of financial assets at fair value through profit or loss		**–**	(55)
Bank interest income		**(406)**	(1,525)
Interest income from loans to third parties		**–**	(114)
Finance costs		**32,693**	28,345
Share of losses/(profits) of associates		**3,465**	(306)
Share of profits of joint ventures		**(369)**	(29)
Depreciation of property, plant and equipment		**49,465**	50,598
Depreciation of right-of-use assets		**14,787**	–
Amortisation of other intangible assets		**1,308**	377
Amortisation of prepaid land lease payments		**–**	415
(Reversal of impairment)/impairment of receivables under LNG finance lease arrangements		**(1,195)**	7,824
Impairment/(reversal of impairment) of LNG finance lease receivables		**1,605**	(2,401)
Impairment of loan receivables		**63,221**	1,016
Impairment of property, plant and equipment		**21,864**	–
Impairment of accounts receivables arising from dealing in securities		**37,834**	4,779
Impairment of accounts receivables arising from LNG business		**14,004**	5,055
Impairment of interests in associates		**5,350**	5,070
Share-based payments		**775**	–
Fair value changes of convertible notes		**–**	(2,259)
Loss on redemption of convertible notes		**–**	2,259
Operating loss before working capital changes		**(64,613)**	(152,519)
Decrease in inventories		**9,379**	12,584
Decrease in bank balances held on behalf of clients		**13,657**	28,964
Decrease in receivables under LNG finance lease arrangements		**11,221**	56,098
Decrease in LNG finance lease receivables		**382**	45,468
Decrease/(increase) in loan receivables		**20,705**	(19,046)
Increase in accounts and other receivables, prepayments and deposits		**(8,790)**	(884)
Increase/(decrease) in accounts and other payables		**60,010**	(94,977)
Cash generated from/(used in) operations		**41,951**	(124,312)
Hong Kong profits tax paid		**–**	(2,903)
Oversea taxes paid		**(1,631)**	(5,776)
Net cash flows from/(used in) operating activities		**40,320**	(132,991)

Consolidated Statement of Cash Flows

Year ended 31 March 2020

	Notes	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**406**	1,523
Deposits paid for acquisition of property, plant and equipment		**(12,394)**	(175,534)
Deposits paid for acquisition of land use rights		**(27,197)**	(91,007)
Purchase of property, plant and equipment		**(53,946)**	(378,071)
Acquisition of land use rights		**–**	(39,383)
Proceeds from disposal of items of property, plant and equipment		**134,304**	15,583
Addition of interests in associates		**–**	(7,564)
Addition of interests in joint ventures		**–**	(132,593)
Advance of a loan to a joint venture		**(1,034)**	(888)
Acquisition of subsidiaries	35	**–**	(15,849)
Disposal of subsidiaries	36	**17,536**	57,157
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	18,966
Net cash flows from/(used in) investing activities		**57,675**	(747,660)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans from a shareholder		**18,940**	464,187
Repayment to a shareholder		**(42,552)**	–
(Repayment of)/loans from third parties		**(44,795)**	49,394
New bank loans		**98,710**	50,811
Repayment of bank loans		**(83,927)**	–
Capital element of lease liabilities paid		**(19,895)**	–
Interest element of lease liabilities paid		**(3,762)**	–
(Repayment of)/advance of loans from joint ventures		**(47,907)**	47,907
Acquisition of additional interests in subsidiaries	37	**–**	(22,301)
Capital contribution from non-controlling interests		**–**	8,948
Issuance of convertible notes		**–**	33,660
Interest paid on convertible notes		**–**	(2,190)
Interest paid on interest-bearing bank borrowings		**(2,802)**	(905)
Interest paid on loans from third parties		**(2,913)**	(3,384)
Interest paid on loans from a shareholder		**(4,277)**	–
Net cash flows (used in)/from financing activities		**(135,180)**	626,127
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(37,185)**	(254,524)
Effect of foreign exchange rate changes, net		**(13,172)**	(9,250)
Cash and cash equivalents at beginning of the year/period		**100,388**	364,162
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTED BY BANK BALANCES AND CASH		**50,031**	100,388

1. CORPORATE AND GROUP INFORMATION

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

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

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

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, 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 year.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and business	Issued ordinary/ registered share capital 2020	2019	Percentage of equity attributable to the Company 2020	2019	Principal activities
China LNG Limited	Hong Kong	**HK$40,000,000**	HK$40,000,000	**100%**	100%	Investment holdings
Key Fit Group Limited	Hong Kong	**HK$700,000,000**	HK$700,000,000	**60.42%**	60.42%	Investment holdings and trading of securities
China Hong Kong Capital Finance Limited[1]	Hong Kong	**HK$14,000,000**	HK$14,000,000	**60.42%**	60.42%	Financial service through money lending business
China Hong Kong Capital Asset Management Company Limited [1]	Hong Kong	**HK$400,000,000**	HK$400,000,000	**60.42%**	60.42%	Provision of securities brokerage and trading services, margin financing and securities investments
港能國際融資租賃有限公司[1,5,6] (China LNG Finance Leasing Co., Ltd.)*	PRC/Mainland China	**US$165,000,000 (Paid up US$93,067,200)**	US$165,000,000 (Paid up US$87,600,000)	**60.42%**	60.42%	Finance leasing services for LNG vehicles and equipment

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ establishment and business	Issued ordinary/ registered share capital 2020	2019	Percentage of equity attributable to the Company 2020	2019	Principal activities
港宇供應鏈管理(上海)有限公司[1,2,6] (Great Trend Investment Management (Shanghai) Co., Ltd.)*	PRC/Mainland China	**RMB67,000,000 (Paid up RMB13,056,000)**	US$10,000,000 (Paid up US$2,136,000)	**100%**	100%	LNG vehicles services and new energy related business
港強天然氣上海有限公司[1,4,6] (Gangqiang Natural Gas Shanghai Co., Ltd.)*	PRC/Mainland China	**RMB100,000,000 (Paid up RMB15,000,000)**	RMB100,000,000 (Paid up RMB15,000,000)	**60%**	60%	Development and operation of oil-to-gas conversion and LNG refueling facilities on floating barges, development of LNG related technologies,operation of LNG refueling stations, trading of gas ignition equipment and utilisation of new energy sources
港能投資(珠海)有限公司[1,2,6] (CLNG Investment (Zhuhai) Co., Limited)*(Formerly known as 港能投資(上海)有限公司 (CLNG Investment (Shanghai) Co., Limited)*	PRC/Mainland China	**US$100,000,000 (Paid up US$83,494,500)**	US$100,000,000 (Paid up US$83,494,500)	**100%**	100%	Investment holdings
上海港宏融資租賃有限公司[1,4,6] (Shanghai Ganghong Finance Leasing Co., Ltd.)*	PRC/Mainland China	**US$10,000,000 (Paid up US$375,000)**	US$10,000,000 (Paid up US$375,000)	**60.42%**	60.42%	Finance leasing services for LNG vehicles and equipment
山東港能能源有限公司[1,3,6] (CLNG Shandong Energy Co., Ltd.)*	PRC/Mainland China	**RMB20,000,000**	RMB20,000,000	**100%**	100%	LNG supply and management Mainland China
浙江港能天然氣利用有限責任公司[1,3,6] (Zhejiang CLNG Natural Gas., Ltd.)*	PRC/Mainland China	**RMB50,000,000 (Paid up RMB15,000,000)**	RMB50,000,000 (Paid up RMB15,000,000)	**100%**	100%	Construction and operation of natural gas filling stations and LNG supply
港能天然氣有限責任公司[1,3,6] (CLNG Natural Gas Co., Ltd.)*	PRC/Mainland China	**RMB600,000,000 (Paid up RMB394,719,503)**	RMB600,000,000 (Paid up RMB394,719,503)	**100%**	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ establishment and business	Issued ordinary/ registered share capital 2020	2019	Percentage of equity attributable to the Company 2020	2019	Principal activities
陝西港通能源有限公司[1,3,6] (Shaanxi Gangtong Neng Yuan Co., Ltd.)*	PRC/Mainland China	**RMB30,000,000**	RMB30,000,000	**100%**	100%	Wholesale of ethanol and liquefied petroleum gas and LNG supply and management
河北德眾燃氣貿易有限公司[1,2,6] (Hebei Dezhong Gas Trading Co., Ltd)*	PRC/Mainland China	**RMB9,590,300 (Paid up RMB8,660,640)**	RMB9,590,300 (Paid up RMB8,660,640)	**100%**	100%	Sales and distribution of LNG, LNG supply and management
湖北港順天然氣有限公司[1,3,6] (Hubei Gangshun Tian Ran Qi Co., Ltd.)*	PRC/Mainland China	**RMB50,000,000 (Paid up RMB12,000,000)**	RMB50,000,000 (Paid up RMB12,000,000)	**100%**	100%	Sales and distribution of LNG, LNG supply and management
寧波港燃汽車銷售有限公司[1,3,6] (Ningbo Gangran Vehicles Trading Co., Ltd.)*	PRC/Mainland China	**RMB10,000,000 (Paid up RMBNil)**	RMB10,000,000 (Paid up RMBNil)	**100%**	100%	Sales of LNG vehicles
徐州港能能源有限公司[1,4,6] (CLNG (Xuzhou) Energy Co., Ltd.)*	PRC/Mainland China	**RMB10,000,000 (Paid up RMB4,900,000)**	RMB10,000,000 (Paid up RMB4,900,000)	**55%**	55%	Sales and distribution of LNG, LNG supply and management
港宏天然氣無錫有限公司[1,4,6] (Ganghong Natural Gas Wuxi Co. Ltd.)*	PRC/Mainland China	**RMB30,000,000 (Paid up RMB1,500,000)**	RMB30,000,000 (Paid up RMB1,500,000)	**51%**	51%	Sales and distribution of LNG, LNG supply and management
港能(天津)貿易有限公司[4,6] (CLNG (Tianjin) Trading Co., Ltd.)*	PRC/Mainland China	**RMB10,000,000 (Paid up RMB5,000,000)**	RMB10,000,000 (Paid up RMB5,000,000)	**51%**	51%	Provision on LNG logistics services
六安市港能天然氣有限公司[4,6] (CLNG (Liu An Shi) Co. Ltd.)*	PRC/Mainland China	**RMB10,000,000 (Paid up RMB8,351,000)**	RMB10,000,000 (Paid up RMB8,115,456)	**60%**	60%	Sales and distribution of LNG, LNG supply and management
山東奧海天然氣資源技術有限公司[2,6] Shandong Aohai Natural Gas Technology Co., Ltd.* ("Shandong Aohai")	PRC/Mainland China	**RMB10,000,000 (Paid up RMB6,004,920)**	RMB10,000,000 (Paid up RMB6,004,920)	**100%**	100%	Sales and distribution of LNG, LNG supply and management
河南港運新能源有限公司[4,6] (Hanan Gangyun Energy Co., Ltd.)*	PRC/Mainland China	**RMB10,000,000 (Paid up RMB3,223,000)**	RMB10,000,000 (Paid up RMB3,223,000)	**55%**	55%	Sales and distribution of LNG, LNG supply and management

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ establishment and business	Issued ordinary/ registered share capital 2020	2019	Percentage of equity attributable to the Company 2020	2019	Principal activities
港匯天然氣銷售河北有限公司[4,6] (Ganghui Natural Gas Trading Hebei Co., Ltd.)*	PRC/Mainland China	**RMB10,000,000 (Paid up RMB1,250,000)**	RMB10,000,000 (Paid up RMB1,250,000)	**60%**	60%	Sales and distribution of LNG, LNG supply and management
陝西港能物流有限公司[2,6] (CLNG (Shanxi) Logistic Co., Ltd.)*	PRC/Mainland China	**RMB200,000,000 (Paid up RMB23,500,000**	RMB200,000,000 (Paid up RMB23,500,000	**100%**	100%	Provision of LNG logistics services
青島奧博順拓氣體有限公司[4,6] (Qingdao Aobo Shunta Gas Co., Ltd.)*	PRC/Mainland China	**RMB6,122,400**	RMB6,122,400 (Paid up RMB5,000,000)	**51%**	51%	Sales and distribution of LNG, LNG supply and management
港能(天津)能源有限公司[3,6] (CLNG Tianjin Energy Co. Ltd)*	PRC/Mainland China	**RMB510,000,000 (Paid up RMB497,978,771)**	RMB510,000,000 (Paid up RMB497,978,771)	**100%**	100%	Investment holding
港縱貿易(上海)有限公司[3,6]	PRC/Mainland China	**RMB1,000,000,000 (Paid up RMB427,000,000)**	RMB1,000,000,000 (Paid up RMB427,000,000)	**100%**	100%	Investment holding
上海亞東宏華集裝箱運輸有限公司[4,6] (Shanghai YaDong Hong Hua Ji Zhuang Xiang Yun Shu Co., Ltd.)*	PRC/Mainland China	**RMB30,000,000 (Paid up RMB4,770,000)**	RMB30,000,000 (Paid up RMB4,770,000)	**99.9%**	99.9%	Provision of LNG logistic services
四川港能能源有限公司[3,6] (CLNG Sichuan Energy Co., Ltd.)*	PRC/Mainland China	**RMB50,000,000 (Paid up RMB200,000)**	RMB50,000,000 (Paid up RMB200,000)	**100%**	100%	Sales and distribution of LNG supply
寧波港福天然氣有限公司[2,6] (Ningbo Gangfu Natural Gas Co., Ltd.)*	PRC/Mainland China	**RMB10,000,000 (Paid up RMBNil)**	RMB10,000,000 (Paid up RMBNil)	**100%**	100%	Sales and distribution of LNG supply
石家莊盛冉燃氣貿易有限公司[3,6] (Shijiazhuang Sheng Ran Gas Trading Mainland China Co., Ltd.)*	PRC/Mainland China	**RMB80,000,000 (Paid up RMB5,000,000)**	RMB80,000,000 (Paid up RMB5,000,000)	**100%**	100%	Trading of natural gas and transportation
河北港盛能源有限公司[3,6] (Hebei Gangsheung Energy Co., Ltd.)*	PRC/Mainland China	**RMB30,000,000 (Paid up RMB12,000,000)**	RMB30,000,000 (Paid up RMB12,000,000)	**100%**	100%	Sales and distribution of LNG supply

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ establishment and business	Issued ordinary/ registered share capital 2020	2019	Percentage of equity attributable to the Company 2020	2019	Principal activities
河北港瑞天然氣有限公司[4,6] (Hebei Gangrui Natural Gas Co., Ltd.)*	PRC/Mainland China	**RMB20,000,000 (Paid up RMB18,583,689)**	RMB20,000,000 (Paid up RMB18,583,689)	**80%**	80%	Sales and distribution of LNG supply
港能天然氣鄲城有限公司[3,6] (CLNG Haocheng Natural Gas Co., Ltd.)*	PRC/Mainland China	**RMB10,000,000 (Paid up RMB4,050,000)**	RMB10,000,000 (Paid up RMB4,050,000)	**100%**	100%	Sales and distribution of LNG supply
港能(湖北)能源有限公司[3,6] (CLNG Hubei Energy Co., Ltd.)*	PRC/Mainland China	**RMB10,000,000**	RMB10,000,000	**100%**	100%	Sales and distribution of LNG supply
湖北鼎環新能源有限公司[3,6] (Hubei Dinghuan New Energy Co., Ltd.)*	PRC/Mainland China	**RMB10,000,000 (Paid up RMB1,272,058)**	RMB10,000,000 (Paid up RMB1,272,058)	**100%**	100%	Sales and distribution of LNG supply
江蘇港易達能源有限公司[3,6] (Jiangsu Gangyida Energy Co., Ltd.)*	PRC/Mainland China	**RMB10,000,000 (Paid up RMB2,000,000)**	RMB10,000,000 (Paid up RMB2,000,000)	**100%**	100%	Investment holding
港能(深圳)能源有限公司[3,6] (CLNG Shenzhen) Energy Co., Ltd.)*	PRC/Mainland China	**RMB20,000,000 (Paid up RMB5,000,000)**	RMB20,000,000 (Paid up RMB5,000,000)	**100%**	100%	Investment holding
上海港能能源有限公司[3,6] (Shanghai Gangneng Energy Co., Ltd.)*	PRC/Mainland China	**US$180,000,000 (Paid up US$Nil)**	US$180,000,000 (Paid up US$Nil)	**100%**	100%	Consultancy service on LNG
寧波港林天然氣利用有限公司[3,6] (Ningbo Ganglin Co., Ltd.)*	PRC/Mainland China	**RMB100,000,000 (Paid up RMB30,000,000)**	RMB100,000,000 (Paid up RMB30,000,000)	**100%**	100%	Sales and distribution of LNG supply
江陰宏偉運輸有限公司[3,6] (Jiang Yin Hongwei Transportation Co., Ltd.)*	PRC/Mainland China	**RMB10,300,000 (Paid up RMB6,850,000)**	RMB10,300,000 (Paid up RMB6,850,000)	**100%**	100%	Sales and distribution of LNG supply

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Notes:

[1] Held through subsidiaries.

[2] They are wholly-foreign-owned enterprises under PRC law.

[3] They are wholly-owned domestic enterprises indirectly held by the Company's subsidiaries.

[4] They are non-wholly-owned domestic enterprises indirectly held by the Company's subsidiaries.

[5] They are non-wholly-owned foreign owned enterprises under PRC law.

[6] Subsidiaries whose statutory financial statements were not audited by PKF Hong Kong Limited or another member firm of the PKF global network.

* English company name translated for identification purposes only.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Company. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These consolidated financial statements are presented in Hong Kong dollar ("HK$") and all values are rounded to the nearest thousand unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION *(continued)*

(a) Basis of consolidation *(continued)*

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributable to the ordinary equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Adoption of the going concern basis

When preparing the consolidated financial statements, the Group's ability to continue as a going concern has been assessed. The consolidated financial statements have been prepared by the directors on a going concern basis notwithstanding that the Group incurred a loss of HK$306,758,000 for the year ended 31 March 2020 and as of that date, the Group had net current liabilities of HK$191,628,000 as the directors considered that:

(1) Dr. Kan Che Kin, Billy Albert ("Dr. Kan"), being the beneficial owner and controlling shareholder of the Company, will provide continuing financial support to the Group;

(2) The Company entered into loan facility agreements with Dr. Kan in relation to the provision of standby facilities of HK$800,000,000 to the Company by Dr. Kan and the Group had unutilised facilities of approximately HK$331,219,000 as at 31 March 2020; and

(3) The Group is taking measures to tighten controls over various costs and actively enhance its market position in the LNG industry by expanding its customer base with the aim to attain profitable and positive cash flow operations in the coming financial year.

After taking into consideration of the above factors and funds expected to be generated internally based on the directors' estimation on the future cash flow of the Group, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the consolidated financial statements to be prepared on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs (2015-2017)	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised HKFRSs has had no significant financial impact on these consolidated financial statements.

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 2019. Right-of-use assets are 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 on 1 April 2019.

(i) Adjustments recognised on adoption of 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. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

	HK$'000
Operating lease commitments at 31 March 2019	27,386
Discounted using the lessee's incremental borrowing rate at the date of initial application	20,591
Less: short-term leases recognised on a straight-line basis as expense	(2,765)
Lease liabilities recognised as at 1 April 2019	17,826
Of which are:	
Current lease liabilities	4,217
Non-current lease liabilities	13,609
	17,826

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 consolidated statement of financial position 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 and obligations under finance lease are reclassified to right-of-use assets and lease liabilities as of 1 April 2019 respectively.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(i) Adjustments recognised on adoption of HKFRS 16 *(continued)*

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

The change in accounting policy affected the following items in the consolidated statement of financial position at 1 April 2019:

At 1 April 2019	Land use rights HK$'000	Right-of-use assets HK$'000	Obligations under finance lease HK$'000	Lease liabilities HK$'000
Opening balance	38,532	–	13,151	–
Reclassified from land use rights to right-of-use assets	(37,721)	37,721	–	–
Reclassified from prepayments to right-of-use assets*	(811)	811	–	–
Reclassified from obligations under finance lease (non-current) to lease liabilities	–	–	(4,736)	4,736
Reclassified from other payables and accruals to lease liabilities*	–	–	(8,415)	8,415
Recognised lease liabilities and right-of-use assets	–	17,826	–	17,826
	–	56,358	–	30,977

* Current portion of land use rights and obligations under finance lease of opening balance were included in prepayments and other payables and accruals respectively.

There was no significant impact on the Group's loss after tax for the year ended 31 March 2020 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 12 months or less 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 HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

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

The Group mainly leases various offices, staff quarters, carparks and motor vehicles 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.

Until the 2019 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.

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, land use rights and motor vehicles.

Payments associated with short-term leases 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The following HKFRSs in issue at 31 March 2020 have not been applied in the preparation of these consolidated financial statements since they were not yet effective for the annual period beginning on 1 April 2019:

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of Business[1]
Amendments to HKFRS 9 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]

[1] Effective for annual periods beginning on or after 1 April 2020
[2] Effective for annual periods beginning on or after 1 April 2021
[3] Effective for annual periods beginning on or after a date to be determined

The Group is in the process of making an assessment of what the impact of these HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's interests in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, where applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its financial assets at fair value through profit or loss and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is calculated as the higher of the asset's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, including the right-of-use assets arising from leases of the underlying plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit or loss. Any subsequent revaluation surplus is credited to the profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to accumulated losses is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to accumulated losses as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	20%-$33\frac{1}{3}$%
Leasehold improvements	Over the shorter of the lease terms and 25%
Equipment and machinery	5%-$33\frac{1}{3}$%
Motor vehicles	10%-25%
Building	$3\frac{1}{3}$%-5%
Yacht	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and equipment and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Road transportation operation permits of dangerous goods

Purchased permits are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Leases (policies applicable from 1 April 2019)

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (policies applicable before 1 April 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the estimated useful lives of the assets. The finance costs of such leases are charged to the profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach *(continued)*

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 270 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For receivables from margin clients and cash clients, the Group considers there has been a significant increase in credit risk when clients cannot meet the margin call requirement and uses the loan-to-collateral value ("LTV") to make its assessment. However, in certain cases, the Group may also consider a margin client receivable to be in default when there is a margin shortfall which indicates the Group is unlikely to receive the outstanding contractual amounts in full taking into account the pledged securities held by the Group. A margin client receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for receivables under finance lease arrangements, LNG finance lease receivables and accounts receivables under LNG business which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For receivables under finance lease arrangements, LNG finance lease receivables and accounts receivables under LNG business that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For receivables under finance lease arrangements, LNG finance lease receivables and accounts receivables under LNG business that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payables, other payables and accruals, interest-bearing bank borrowings, lease liabilities, obligations under finance leases, and loans from a shareholder.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Initial recognition and measurement *(continued)*

Convertible bonds

On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments *(continued)*

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories are stated at the lower of cost, on the first-in, first-out basis, and net realisable value after making due allowance for any obsolete or slow-moving items. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sales and distribution of LNG*

Revenue from the sale of LNG is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of LNG.

(b) *Provision of LNG logistic services and other services*

Revenue from the provision of LNG logistic services and other services is recognised when the underlying services have been rendered in accordance with the terms of service agreements.

(c) *LNG finance lease and provision of loan finance services*

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

(d) *Provision of broking services*

Commission and brokerage income is recognised when the customer has received the service from the Group, generally when the trades are executed. Commission income on securities dealing and broking is generally due within two days after the trade date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits

Pension schemes

The Group's employer contributions vest fully with the employees when contributed into the Mandatory Provident Fund retirement benefit (the "MPF Scheme"), except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain portion of its payroll costs to the central pension schemes. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension schemes.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share-based payement arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Bank balances held on behalf of clients

The Group has classified the clients' monies as bank balances held on behalf of customers under the current assets section of the statement of financial position as the Group is allowed to retain some or all of the interest income on the clients' monies and recognised a corresponding accounts payable to the respective clients on grounds that is liable for any loss or misappropriation of clients' monies. Under the Hong Kong Securities and Futures Ordinance (Cap. 571), the Company is not allowed to use the clients' monies to settle its own obligation.

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollar, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollar at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollar at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollar at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollar at the weighted average exchange rates for the year.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Current and deferred tax

The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made. Further details are disclosed in note 9 to the consolidated financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Useful lives and residual values of items of property, plant and equipment

The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment of depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period, based on changes in circumstances.

Impairment of property, plant and equipment

The Group determines whether property, plant and equipment is impaired at least on an annual basis. This requires an estimation of the replacement cost of property, plant and equipment at 31 March 2020. Estimating the replacement cost requires the Group to make an estimate of the expected dollar value that would be required to replace the production capability of the present assets in the property, plant and equipment. Further details are disclosed in note 12 to the consolidated financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated at 31 March 2020. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are disclosed in note 14 to the consolidated financial statements.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market conditions and the historical experience of selling merchandise of similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Group reassesses these estimates at the end of each reporting period. The related disclosures are included in note 21 to the consolidated financial statements.

Provision for expected credit losses on LNG finance lease arrangements, LNG finance lease receivables and accounts receivables arising from LNG business

The Group uses a provision matrix to calculate ECLs for LNG finance lease arrangements, LNG finance lease receivables and accounts receivables arising from LNG business. The provision rates are based on days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Reversal of impairment of HK$1,195,000, impairment of HK$1,605,000 and HK$14,004,000 are made to receivables under LNG finance lease arrangements, LNG finance lease receivables and accounts receivables arising from LNG business, respectively. The information about the ECLs on these receivables are disclosed in notes 19, 20 and 23 to the consolidated financial statements.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Impairment assessment of loan receivables and accounts receivables from margin clients and cash clients

The Group calculates the ECLs of receivables from margin clients and cash clients by estimating the probability of decline in expected future collateral prices, with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate. As part of a qualitative assessment of whether a counterparty is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When certain events occur, the Group carefully considers whether the events should result in determining the counterparties as defaulted and therefore assesses whether the classification as stage 3 for ECL calculation is appropriate. Impairment of HK$63,221,000 and HK$37,834,000 is made to loan receivables and accounts receivables arising from dealing in securities, respectively. Further details of loan receivables and accounts receivables from margin clients and cash clients are given in notes 22 and 23 to the consolidated financial statements.

Impairment of investments in joint ventures, associates and their goodwill

The Group tests whether the investments in joint ventures, associates and their goodwill have suffered any impairment, in accordance with the accounting policy stated in note 2.4 to the consolidated financial statement. The recoverable amount of the investment is the higher of the asset's fair value less costs to sell and value in use. The balance of goodwill is determined with respect to a discounted cash flow model on the joint ventures and associates acquired. These calculations require the use of estimates. Impairment of HK$5,350,000 is made to interests in associates. Further details are disclosed in notes 17 and 18 to the consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has eight reportable operating segments as follows:

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

(b) Provision of LNG logistic services;

(c) Finance leasing for LNG vehicles and equipment;

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

(e) 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;

(f) Trading of securities;

(g) Provision of securities brokerage, margin financing and securities investments services in Hong Kong; and

(h) Financial services through money lending business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from operations. The adjusted profit/loss before tax from operations is measured consistently with the Group's profit/loss before tax from operations except that other income and other gains and losses, finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets mainly exclude cash and cash equivalents, and other unallocated assets as these assets are managed on a group basis.

Segment liabilities mainly exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities, and other unallocated liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. OPERATING SEGMENT INFORMATION *(continued)*

	Sales and distribution of LNG		Provision of LNG logistic services		Finance leasing for LNG vehicles and equipment		Provision of LNG in the midstream and downstream market		Provision of commercial vehicle platform services		Trading of securities		Provision of securities brokerage, margin financing and securities investments		Financial services through money lending business		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue (note 4)																		
Sales to external customers	1,752,781	2,579,993	68,966	31,646	13,213	10,552	-	-	-	-	-	-	6,099	15,638	16,379	32,079	1,857,438	2,669,908
Others	-	1,026	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,026
Intersegment sales	726,125	1,689,102	277,080	740,611	352	14,266	-	-	118	121,111	-	-	-	-	-	-	1,003,675	2,565,090
	2,478,906	4,270,121	346,046	772,257	13,565	24,818	-	-	118	121,111	-	-	6,099	15,638	16,379	32,079	2,861,113	5,236,024
Reconciliation:																		
Elimination of intersegment sales																	(1,003,675)	(2,565,090)
Revenue																	1,857,438	2,670,934
Segment results	(69,427)	(106,962)	(63,674)	(60,785)	(6,156)	(11,018)	(236)	(1,342)	(1,682)	(2,221)	(8,667)	(9,521)	(37,564)	(6,430)	(46,925)	24,209	(234,331)	(174,070)
Other income and other gains and losses																	1,009	8,425
Finance costs																	(32,693)	(28,345)
Share of (losses)/profits of associates	(3,465)	306	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,465)	306
Share of profits of joint ventures	369	29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	369	29
Corporate and other unallocated expenses																	(35,429)	(54,093)
Loss before tax																	(304,540)	(247,748)
Assets and liabilities																		
Segment assets	679,782	849,431	791,149	827,867	18,004	28,428	12,623	13,564	15,586	2,335	1,898	3,321	14,359	71,800	102,961	186,887	1,636,362	1,983,633
Unallocated																	50,031	100,388
																	1,686,393	2,084,021
Segment liabilities	615,466	660,808	397,568	410,935	55,401	25,034	-	70	11,167	72	19,491	5,373	2,983	22,786	44	1,044	1,102,120	1,126,122
Unallocated																	71,604	57,470
																	1,173,724	1,183,592

3. OPERATING SEGMENT INFORMATION *(continued)*

	Sales and distribution of LNG		Provision of LNG logistic services		Finance leasing for LNG vehicles and equipment		Provision of LNG in the midstream and downstream market		Provision of commercial vehicle platform services		Trading of securities		Provision of securities brokerage, margin financing and securities investments		Financial services through money lending business		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information																		
Share of results of:																		
Associates	**(3,465)**	306	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(3,465)**	306
Joint ventures	**369**	29	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**369**	29
Reversal of impairment/(impairment) of receivables under LNG finance lease arrangements	**-**	-	**-**	-	**1,195**	(7,824)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**1,195**	(7,824)
(Impairment)/reversal of impairment of LNG finance lease receivables	**-**	-	**-**	-	**(1,605)**	2,401	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(1,605)**	2,401
Impairment of property, plant and equipment	**(21,864)**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(21,864)**	-
Impairment of loan receivables	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(63,221)**	(1,016)	**(63,221)**	(1,016)
Impairment of accounts receivables arising from dealing in securities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(37,834)**	(4,779)	**-**	-	**(37,834)**	(4,779)
Impairment of accounts receivables arising from LNG business	**(14,004)**	(5,055)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(14,004)**	(5,055)
Impairment of interests in associates	**(5,350)**	(5,070)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(5,350)**	(5,070)
Depreciation and amortisation	**40,121**	44,220	**21,059**	1,560	**510**	1,283	**2**	324	**37**	68	**2,528**	3,495	**1,303**	440	**-**	-	**65,560**	51,390
Loss/(gain) on disposal of items of property, plant and equipment	**3,539**	(203)	**531**	(39)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**4,070**	(242)
Interests in associates	**7,622**	16,161	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**7,622**	16,161
Interests in joint ventures	**124,804**	132,019	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**124,804**	132,019
Additions to prepaid land lease payments	**-**	39,383	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	39,383
Capital expenditure	**53,868**	131,934	**25**	245,500	**-**	243	**-**	334	**-**	43	**-**	-	**53**	17	**-**	-	**53,946**	378,071
Additions to deposits for acquisition of plant and equipment, and land use rights	**39,591**	266,541	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**39,591**	266,541

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
Hong Kong	**22,478**	47,717
PRC	**1,834,960**	2,623,217
	1,857,438	2,670,934

The revenue information is based on the locations of the customers.

(b) Non-current assets

	2020 HK$'000	2019 HK$'000
Hong Kong	**4,487**	4,421
PRC	**1,219,392**	1,389,213
	1,223,879	1,393,634

The non-current asset information is based on the locations of the assets.

Information about major customers

For the year ended 31 March 2020 and the period from 1 January 2018 to 31 March 2019, no revenue derived from a single customer of the Group accounted for over 10% of the Group's total revenue.

4. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

An analysis of revenue is as follows:

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
Revenue from contracts with customers		
Sales and distribution of LNG	**1,752,781**	2,579,993
Provision of LNG logistic services	**68,966**	31,646
Finance lease income		
– LNG finance lease arrangements	**5,235**	5,268
– LNG finance leases	**7,978**	5,284
Provision of financial services		
– Interest income from securities margin financing	**5,025**	6,275
– Services fee income	**1,000**	233
– Commission and brokerage income	**74**	9,130
Interest income from loan financing	**16,379**	32,079
Revenue from other sources		
Rental income	**–**	1,026
	1,857,438	2,670,934

4. REVENUE, OTHER INCOME AND GAINS AND LOSSES *(continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 March 2020

	LNG related products HK$'000	LNG related services HK$'000	Financial services HK$'000	Total HK$'000
Type of goods or services				
Sales and distribution of LNG	1,752,781	–	–	1,752,781
Provision of LNG logistic services	–	68,966	–	68,966
LNG finance lease	–	13,213	–	13,213
Provision of loan finance services	–	–	16,379	16,379
Provision of brokerage services	–	–	6,099	6,099
Total revenue from contracts with customers	1,752,781	82,179	22,478	1,857,438
Geographical markets				
Hong Kong	–	–	22,478	22,478
PRC	1,752,781	82,179	–	1,834,960
Total revenue from contracts with customers	1,752,781	82,179	22,478	1,857,438
Timing of revenue recognition				
Goods transferred at a point in time	1,752,781	–	22,478	1,775,259
Services transferred over time	–	82,179	–	82,179
Total revenue from contracts with customers	1,752,781	82,179	22,478	1,857,438

4. REVENUE, OTHER INCOME AND GAINS AND LOSSES *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

For the period from 1 January 2018 to 31 March 2019

	LNG related products HK$'000	LNG related services HK$'000	Financial services HK$'000	Total HK$'000
Type of goods or services				
Sales and distribution of LNG	2,579,993	–	–	2,579,993
Provision of LNG logistic services	–	31,646	–	31,646
LNG finance lease	–	10,552	–	10,552
Provision of loan finance services	–	–	32,079	32,079
Provision of brokerage services	–	–	15,638	15,638
Total revenue from contracts with customers	2,579,993	42,198	47,717	2,669,908
Geographical markets				
Hong Kong	–	–	47,717	47,717
PRC	2,579,993	42,198	–	2,622,191
Total revenue from contracts with customers	2,579,993	42,198	47,717	2,669,908
Timing of revenue recognition				
Goods transferred at a point in time	2,579,993	–	47,717	2,627,710
Services transferred over time	–	42,198	–	42,198
Total revenue from contracts with customers	2,579,993	42,198	47,717	2,669,908

4. REVENUE, OTHER INCOME AND GAINS AND LOSSES *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

For the year ended 31 March 2020

	LNG related products HK$'000	LNG related services HK$'000	Financial services HK$'000	Total HK$'000
Revenue from contracts with customers				
Sales to external customers	1,752,781	82,179	22,478	1,857,438
Intersegment sales	726,125	277,550	–	1,003,675
	2,478,906	359,729	22,478	2,861,113
Intersegment adjustments and eliminations	(726,125)	(277,550)	–	(1,003,675)
Total revenue from contracts with customers	1,752,781	82,179	22,478	1,857,438

For the period from 1 January 2018 to 31 March 2019

	LNG related products HK$'000	LNG related services HK$'000	Financial services HK$'000	Total HK$'000
Revenue from contracts with customers				
Sales to external customers	2,579,993	42,198	47,717	2,669,908
Intersegment sales	1,689,102	875,988	–	2,565,090
	4,269,095	918,186	47,717	5,234,998
Intersegment adjustments and eliminations	(1,689,102)	(875,988)	–	(2,565,090)
Total revenue from contracts with customers	2,579,993	42,198	47,717	2,669,908

4. REVENUE, OTHER INCOME AND GAINS AND LOSSES *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales and distribution of LNG

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 to 90 days from delivery.

LNG logistic services

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of one year or less, or are billed based on the time incurred.

Finance lease and loan financing income

The performance obligation is satisfied when the customer has the ability to direct the use of the asset/loan and obtain substantially all of the remaining benefits of the asset and payment is due upon delivery of the property to the customer for finance lease income.

Provision of brokerage services

The performance obligation is satisfied at a point in time when the customer has received the service from the Group, generally when the trades are executed.

As at 31 March 2020, there are no performance obligations outstanding that will be recognised more than one year.

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
Other income		
Bank interest income	**406**	1,525
Interest income from loans to third parties	**–**	114
Sundry income	**1,890**	2,966
	2,296	4,605
Other gains and losses		
(Loss)/gain on disposal of items of property, plant and equipment	**(4,070)**	242
Gain on disposal of subsidiaries (note 36)	**8,544**	3,578
Exchange losses	**(5,761)**	–
	(1,287)	3,820
	1,009	8,425

5. LOSS BEFORE TAX

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

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
Cost of goods sold*	**1,755,702**	2,613,962
Cost of services provided*	**92,661**	35,119
Depreciation of property, plant and equipment	**49,465**	50,598
Depreciation of right-of-use assets	**14,787**	–
Amortisation of other intangible assets	**1,308**	377
Amortisation of prepaid land lease payments	**–**	415
Government subsidies**	**2,268**	1,182
Minimum lease payments under operating leases	**–**	17,322
Short-term lease expenses	**4,840**	–
Auditor's remuneration	**750**	2,580
Employee benefit expense (excluding directors' remuneration (note 7)):		
Wages and salaries	**66,800**	90,951
Pension scheme contributions	**7,711**	23,820
Share-based payments	**611**	–
	75,122	114,771
Loss/(gain) on disposal of items of property, plant and equipment	**4,070**	(242)
Foreign exchange difference, net	**5,761**	5,839
(Reversal of impairment)/impairment of receivables under LNG finance lease arrangements	**(1,195)**	7,824
Impairment/(reversal of impaiment) of LNG finance lease receivables	**1,605**	(2,401)
Impairment of property, plant and equipment	**21,864**	–
Impairment of loan receivables	**63,221**	1,016
Impairment of accounts receivables arising from dealing in securities	**37,834**	4,779
Impairment of accounts receivables arising from LNG business	**14,004**	5,055
Impairment of interests in associates	**5,350**	5,070
Gain on disposal of subsidiaries	**(8,544)**	(3,578)
Gain on fair value changes of convertible notes	**–**	(2,259)
Loss on redemption of convertible notes	**–**	2,259

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

** There are no unfulfilled conditions or contingencies relating to these subsidies.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
Interest expense on loans from a shareholder	**23,216**	20,363
Interest expense on convertible notes	**–**	2,190
Interest expense on interest-bearing bank borrowings	**2,802**	905
Interest expense on loans from third parties	**2,913**	3,384
Interest expense on finance leases	**–**	1,503
Interest expense on lease liabilities	**3,762**	–
	32,693	28,345

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
Fees:		
Executive directors	**20**	20
Non-executive directors	**100**	100
Independent non-executive directors	**210**	150
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**441**	1,800
Pension scheme contributions	**9**	–
Share-based payments	**164**	–
	944	2,070

7. DIRECTORS' REMUNERATION *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2020					
Executive directors:					
Dr. Kan	10	–	164	–	174
Mr. Li Kai Yien, Arthur Albert	10	–	–	–	10
Mr. Lam Yu Yeung (appointed on 2 September 2019 and resigned on 6 March 2020)	–	201	–	9	210
Mr. Chen Li Bo (removed on 30 August 2019)	–	240	–	–	240
	20	441	164	9	634
Non-executive directors:					
Mr. Simon Murray	50	–	–	–	50
Mr. Lam, Lee G	50	–	–	–	50
	100	–	–	–	100
Independent non-executive directors:					
Mr. Li Siu Yui	50	–	–	-	50
Mr. Lam Lum Lee	50	–	–	-	50
Dr. Li Yao (appointed on 20 June 2019 and resigned on 13 January 2020)	30	–	–	-	30
Mr. Chow Ching Ning (appointed on 2 September 2019)	30	–	–	-	30
Mr. Au Yeung Po Fung (resigned on 2 September 2019)	50	–	–	-	50
	210	–	–	-	210
	330	441	164	9	944

Dr. Kan is also the chairman and chief executive officer of the Company.

7. DIRECTORS' REMUNERATION *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Period from 1 January 2018 to 31 March 2019					
Executive directors:					
Dr. Kan	10	–	–	–	10
Mr. Li Kai Yien, Arthur Albert	10	–	–	–	10
Mr. Chen Li Bo	–	1,800	–	–	1,800
	20	1,800	–	–	1,820
Non-executive directors:					
Mr. Simon Murray	50	–	–	–	50
Mr. Lam, Lee G	50	–	–	–	50
	100	–	–	–	100
Independent non-executive directors:					
Mr. Li Siu Yui	50	–	–	–	50
Mr. Lam Lum Lee	50	–	–	–	50
Mr. Au Yeung Po Fung	50	–	–	–	50
	150	–	–	–	150
	270	1,800	–	–	2,070

There was no arrangement under which a director waived or agreed to waive any remuneration during the year/period.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year/period included no director (Period from 1 January 2018 to 31 March 2019: one director), details of whose remuneration were set out in note 7 above. Details of the remuneration for the year/period of the remaining five (2019: four) non-director highest paid employees are as follows:

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
Salaries, allowances and benefits in kind	**3,325**	4,656
Pension scheme contributions	**327**	491
Share-based payments	**611**	–
	4,263	5,147

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Numbers of employees	
	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
Nil to HK$1,000,000	**4**	1
HK$1,000,001 to HK$1,500,000	**1**	2
HK$2,000,001 to HK$2,500,000	**–**	1
	5	4

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

9. INCOME TAX

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year/period, except for one of the subsidiaries which is a qualifying entity under the two-tiered profits tax rate regime of Hong Kong profits tax and its first HK$2 million of assessable profits are taxed at 8,25% and the remaining assessable profits are taxed at 16.5%.

Taxes on profits assessable elsewhere have been calculated at the applicable tax rates prevailing in the jurisdictions in which the Group operates.

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
Current – Hong Kong		
Charge for the year/period	**2,400**	2,990
(Over)/underprovision in prior years	**(3)**	120
Current – Elsewhere		
Charge for the year/period	**39**	3,775
Overprovision in prior years	**(218)**	–
Total tax charge	**2,218**	6,885

A reconciliation of the tax credit applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rates is as follows:

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
Loss before tax	**(304,540)**	(247,748)
Tax at the statutory rates	**(65,039)**	(61,830)
Income not subject to tax	**(7,391)**	(2,730)
Expenses not deductible for tax	**31,368**	6,441
Temporary difference not recognised	**(636)**	443
Profits and losses attributable to joint ventures and associates	**774**	84
Tax losses utilised from prior periods	**(864)**	(7,458)
Tax losses not recognised	**44,430**	71,815
(Over)/underprovision in prior years	**(221)**	120
Tax effect of the two-tiered profits tax rates regime	**(165)**	–
Tax concession	**(38)**	–
Tax charge at the Group's effective rate	**2,218**	6,885
Tax charge	**2,218**	6,885

9. INCOME TAX *(continued)*

(a) (continued)

The share of tax attributable to associates and joint ventures amounting to HK$Nil (Period from 1 January 2018 to 31 March 2019: HK$184,000) and HK$176,000 (Period from 1 January 2018 to 31 March 2019: HK$42,000), respectively, is included in "Share of profits and losses of joint ventures and associates" in the consolidated statement of profit or loss.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

(b) Deferred tax liabilities of HK$4,330,000 (2018: HK$3,907,000) represents fair value adjustment arising from acquisition of a subsidiary.

The Group has tax losses arising in Hong Kong of HK$498,546,000 (Period from 1 January 2018 to 31 March 2019: HK$518,811,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$561,756,000 (Period from 1 January 2018 to 31 March 2019: HK$374,117,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is uncertain that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries, joint ventures and associates established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will have significant retained profits for distribute in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$10,143,000 at 31 March 2020 (2019: HK$13,566,000).

10. DIVIDENDS

The directors resolved not to declare any dividend for the year ended 31 March 2020 (period from 1 January 2018 to 31 March 2019: Nil).

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

The calculation of the basic loss per share amounts for the year is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 5,643,797,090 in issue during the year. The calculation of the basic loss per share amounts for the preceding period is based on the loss for the preceding period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 5,637,335,547 in issue during the preceding period, as adjusted to reflect the convertible notes converted, and shares repurchased and cancelled during the preceding period.

The diluted loss per share for the year ended 31 March 2020 is equal to the basic loss per share as there was no dilutive potential ordinary share in issue. No adjustment has been made to the basic loss per share amounts presented for the period from 1 January 2018 to 31 March 2019 in respect of a dilution as the impact of the shares repurchased and cancelled and convertible notes outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
Loss attributable to ordinary equity holders of the parent company, used in the basic loss per share calculation	**(252,203)**	(254,328)
Interest on convertible notes (note 34)	**–**	2,190
Loss attributable to ordinary equity holders of the parent company before interest on convertible notes	**(252,203)**	(252,138)*

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY *(continued)*

	Number of shares	
	Year ended 31 March 2020	Period from 1 January 2018 to 31 March 2019
Shares		
Weighted average number of ordinary shares in issue during the year/period used in the basic loss per share calculation	**5,643,797,090**	5,637,335,547
Effect of dilution – weighted average number of ordinary shares: Conversion of convertible notes*	**–**	155,925,555
	5,643,797,090	5,793,261,102

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

12. PROPERTY, PLANT AND EQUIPMENT/OTHER ASSETS

	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Equipment and machinery HK$'000	Motor vehicles HK$'000	Building HK$'000	Yacht HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:								
At 1 January 2018	7,255	4,404	122,581	77,945	–	9,100	59,683	280,968
Acquisition of subsidiaries (note 35)	–	–	–	12,849	–	–	–	12,849
Additions	4,248	365	58,892	184,340	–	–	170,310	418,155
Transfer	–	–	184,283	–	795	–	(185,078)	–
Disposals of subsidiaries (note 36(d))	(67)	–	–	–	–	–	(1,806)	(1,873)
Disposals	(387)	–	(17,444)	(4,583)	–	–	–	(22,414)
Exchange realignment	(137)	(73)	(5,811)	(3,959)	(9)	–	(1,387)	(11,376)
At 31 March 2019 and 1 April 2019	10,912	4,696	342,501	266,592	786	9,100	41,722	676,309
Additions	256	106	9,428	7,190	–	–	108,435	125,415
Transfer	–	–	13,464	–	–	–	(13,464)	–
Disposals of subsidiaries (note 36(a), (b))	(47)	–	(24,922)	(14)	(623)	–	(152)	(25,758)
Disposals	(147)	–	(147,938)	(2,208)	–	–	–	(150,293)
Exchange realignment	(599)	(190)	(16,352)	(17,396)	(36)	–	(5,092)	(39,665)
At 31 March 2020	**10,375**	**4,612**	**176,181**	**254,164**	**127**	**9,100**	**131,449**	**586,008**

12. PROPERTY, PLANT AND EQUIPMENT/OTHER ASSETS *(continued)*

	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Equipment and machinery HK$'000	Motor vehicles HK$'000	Building HK$'000	Yacht HK$'000	Construction in progress HK$'000	Total HK$'000
Depreciation:								
At 1 January 2018	3,330	2,944	4,184	5,924	–	3,500	–	19,882
Provided for the period	2,614	1,180	22,296	21,854	29	2,625	–	50,598
Written back on disposals	(292)	–	(2,858)	(3,923)	–	–	–	(7,073)
Disposals of subsidiaries (note 36(d))	(6)	–	–	–	–	–	–	(6)
Exchange realignment	(89)	(51)	(330)	(325)	–	–	–	(795)
At 31 March 2019 and 1 April 2019	5,557	4,073	23,292	23,530	29	6,125	–	62,606
Provided for the year	2,014	407	18,523	26,417	4	2,100	–	49,465
Written back on disposals	(70)	–	(10,216)	(1,633)	–	–	–	(11,919)
Disposals of subsidiaries (note 36(a), (b))	(10)	–	(1,162)	(2)	(23)	–	–	(1,197)
Exchange realignment	(448)	(166)	(1,703)	(2,002)	(1)	–	–	(4,320)
At 31 March 2020	**7,043**	**4,314**	**28,734**	**46,310**	**9**	**8,225**	**–**	**94,635**
Impairment:								
At 1 January 2018, 31 March 2019 and 1 April 2019	–	–	–	–	–	–	–	–
Provided for the year	–	–	9,621	–	–	–	12,243	21,864
Exchange realignment	–	–	(240)	–	–	–	(305)	(545)
At 31 March 2020	**–**	**–**	**9,381**	**–**	**–**	**–**	**11,938**	**21,319**
Carrying values:								
At 31 March 2020	**3,332**	**298**	**138,066**	**207,854**	**118**	**875**	**119,511**	**470,054**
At 31 March 2019	5,355	623	319,209	243,062	757	2,975	41,722	613,703

Balance of other assets of HK$285,285,000 (2019: HK$305,271,000) represented the right to acquire LNG tank containers pursuant to a sale and purchase agreement dated 29 June 2018 entered into between Gangzong Trade (Shanghai) Co., Ltd, a wholly-owned subsidiary of the Company and CIMC Enric Energy Equipment (Suzhou) Co., Ltd., a wholly-owned subsidiary of CIMC Enric Holdings Limited. Details of the acquisition were disclosed in a circular of the Company dated 24 August 2018. Liability of the same balance is recognised and included in other payables and accruals (note 27).

As at 31 March 2020, included in motor vehicles is the Group's right-of-use assets. The depreciation of these assets is HK$2,281,000 for the year ended 31 March 2020.

13. PREPAID LAND LEASE PAYMENTS

	2020 **HK$'000**	2019 HK$'000
Carrying amount at the beginning of the year/period	**38,532**	–
Effect on adoption of HKFRS 16	**(38,532)**	–
Carrying amount at the beginning of the year/period	**–**	–
Additions during the year/period	**–**	39,383
Recognised during the year/period	**–**	(415)
Exchange realignment	**–**	(436)
Carrying amount at the end of the year/period	**–**	38,532
Current portion included in prepayments	**–**	(811)
Non-current portion	**–**	37,721

Prepaid land lease payments were reclassified to right-of-use assets (note 16) upon initial adoption of HKFRS 16 on 1 April 2019.

14. GOODWILL

	HK$'000
Cost:	
At 1 April 2019	930
Exchange realignment	(54)
At 31 March 2020	**876**

14. GOODWILL *(continued)*

	Note	HK$'000
Cost:		
At 1 January 2018		9,161
Acquisition of subsidiaries	35	513
Disposal of subsidiaries	36(d)	(8,727)
Exchange realignment		(17)
At 31 March 2019		930

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

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

Directors estimate discount rates using pre-tax rates by reference to the average rates for a similar industry and the risks specific to the CGU and determined the discount rate to be 11.0% (2019: 12.4%).

15. OTHER INTANGIBLE ASSETS

	Road transportation operation permits of dangerous goods HK$'000
Cost:	
At 1 January 2018	3,062
Acquisition of subsidiaries (note 35)	6,815
Exchange realignment	(158)
At 31 March 2019 and 1 April 2019	9,719
Exchange realignment	(636)
At 31 March 2020	**9,083**
Amortisation:	
At 1 January 2018	268
Charge for the period	377
Exchange realignment	(12)
At 31 March 2019 and 1 April 2019	633
Charge for the year	1,308
Exchange realignment	(74)
At 31 March 2020	**1,867**
Carrying values:	
At 31 March 2020	**7,216**
At 31 March 2019	9,086

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

16. RIGHT-OF-USE ASSETS

	Land use rights HK$'000	Properties HK$'000	Containers HK$'000	Total HK$'000
Cost:				
At 1 April 2019	38,532	17,826	–	56,358
New leases	–	–	77,016	77,016
Write-off on termination of lease	–	(8,188)	–	(8,188)
Exchange realignment	(2,522)	(650)	(1,919)	(5,091)
At 31 March 2020	36,010	8,988	75,097	120,095
Depreciation:				
At 1 April 2019	–	–	–	–
Charge for the year	746	4,414	9,627	14,787
Write-off	–	(1,638)	–	(1,638)
Exchange realignment	(19)	(14)	(240)	(273)
At 31 March 2020	727	2,762	9,387	12,876
Net book value:				
At 31 March 2020	35,283	6,226	65,710	107,219

On 1 April 2019, the Group recognised right-of-use assets of HK$56,358,000 newly capitalised on adoption of HKFRS 16.

The Group has entered into lease agreements to obtain the right to use properties as its offices, warehouses and staff quarters, and right to use containers as its storage equipment and as a result incurred lease liabilities (note 29). The leases typically run for an initial period of 2 to 10 years. Certain leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

In addition to the above, the Group has right-of-use assets related to land use rights of which the Group is the registered owner.

17. INTERESTS IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Share of net assets	**122,882**	131,131
Loan to a joint venture	**1,922**	888
	124,804	132,019

The loan to a joint venture is unsecured, bears interest at 8% (2019: 8%) per annum and is repayable on demand. In the opinion of the directors, the loan is unlikely to be repaid in the foreseeable future and is considered as part of the Group's net investment in the joint venture.

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

Name	Particulars of issued shares held	Place of establishment and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
港海能源(上海)有限公司	Registered capital of RMB 102,000,000	PRC/ Mainland China	51	(note)	51	Sales and distribution of LNG

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

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

The above table lists the joint venture of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Company. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

17. INTERESTS IN JOINT VENTURES *(continued)*

The following table illustrates the summarised financial information in respect of 港海能源(上海)有限公司 adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2020 **HK$'000**	2019 HK$'000
Cash and cash equivalents	**198,227**	185,816
Other current assets	**21,241**	48,310
Current assets	**219,468**	234,126
Non-current assets	**670**	66
Current liabilities	**731**	171
Net assets	**219,407**	234,021
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**51%**	51%
Group's share of net assets of the joint venture	**111,898**	119,351
Carrying amount of the investment	**111,898**	119,351
Revenue	**42,088**	–
Interest income	**1,359**	512
Operating expenses	**(42,068)**	(71)
Income tax expense	**(345)**	(110)
Profit and total comprehensive income for the year/period	**1,034**	331

The following table illustrates the financial information of the Group's joint ventures that are not individually material:

	2020 **HK$'000**	2019 HK$'000
Share of the joint ventures' loss for the year/period	**(158)**	(140)
Share of the joint ventures' total comprehensive loss	**(158)**	(140)
Carrying amount of the Group's interest in the joint ventures	**10,984**	11,780

18. INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Share of net assets	**18,042**	21,231
Provision for impairment	**(10,420)**	(5,070)
	7,622	16,161

Particulars of associates are as follows:

Name	Principal place of business	Percentage of ownership interest attributable to the Group	Principal activities
CNOOC (Bengbu) Traffic New Energy Co., Ltd.	PRC/ Mainland China	40%	Sales and distribution of LNG diesel and oil product
CNOOC (Shanghai) Traffic New Energy Co., Ltd.	PRC/ Mainland China	40%	Sales and distribution of LNG diesel and oil product
Anhui Jugang Energy Co., Ltd.	PRC/ Mainland China	30.25%	Sales and distribution of LNG diesel and oil product
Shenzhen Gas Shengshi Clean Energy Co., Ltd.	PRC/ Mainland China	25%	Investment in gasoline stations and LNG stations in the PRC
舟山深能燃氣發展有限公司	PRC/ Mainland China	25%	Sales and distribution of LNG diesel and oil product

Impairment of HK$5,350,000 (2019: HK$5,070,000) was recognised for interest in an associate because the associate has been loss-making and, in the opinion of the directors, the recoverable amount of the associate is based on its fair value less cost of disposal. Management has estimated the fair value of the associate based on its net asset value as the fair value of the associate's underlying assets and liabilities approximates to its carrying amount due to the short term maturities of those instruments. The fair value measurement is categorised within Level 3 of the fair value hierarchy.

The Group's shareholdings in the associates are held through subsidiaries of the Company.

Gangneng LNG (Fujian) Co., Ltd. was disposed of during the year, resulting in a loss of HK$337,000.

18. INTERESTS IN ASSOCIATES *(continued)*

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2020 **HK$'000**	2019 HK$'000
Share of the associates' (loss)/profit for the year/period	**(3,465)**	306
Share of the associates' total comprehensive loss	**(1,901)**	(139)
Aggregate carrying amount of the Group's investments in the associates	**7,622**	16,161

19. RECEIVABLES UNDER LNG FINANCE LEASE ARRANGEMENTS

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

	2020 **HK$'000**	2019 HK$'000
Within one year	**23,343**	27,519
In the second to fifth years, inclusive	**–**	9,165
	23,343	36,684
Less: Impairment	**(17,001)**	(19,437)
	6,342	17,247
Less: Portion classified as current assets	**(6,342)**	(8,082)
Non-current portion	**–**	9,165

The Group entered into finance lease arrangements pursuant to which the lessees sold their vehicles to the Group and leased back the assets with lease periods ranging from 1.5 years to 5 years (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 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.

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

At 31 March 2020, the effective interest rates applicable to the finance lease arrangements ranged from approximately 9.24% to 12.46% per annum (2019: 7.90% to 12.48%). The maturity profile of receivables under LNG finance lease arrangements (net of impairment) at the end of the reporting year/period, is as follows:

	2020 HK$'000	2019 HK$'000
Neither past due nor impaired	**6,342**	16,898
Past due but not impaired:		
Within 3 months	**–**	326
4 to 6 months	**–**	23
	6,342	17,247

Set out below is the information about the credit risk exposure on the Group's receivables under LNG finance lease arrangements using a provision matrix:

At 31 March 2020

		Past due					
	Current	**Within 3 months**	**4 to 6 months**	**7 to 9 months**	**10 to 12 months**	**Over 1 year**	**Total**
Expected credit losses rate	**32.22%**	**–**	**100%**	**100%**	**100%**	**100%**	
Gross carrying amount (HK$'000)	**9,357**	**–**	**155**	**195**	**1,323**	**12,313**	**23.343**
Expected credit losses (HK$'000)	**3,015**	**–**	**155**	**195**	**1,323**	**12,313**	**17,001**

At 31 March 2019

		Past due					
	Current	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	Over 1 year	Total
Expected credit losses rate	23.29%	88.51%	99.08%	100%	100%	100%	
Gross carrying amount (HK$'000)	22,027	2,836	2,513	1,981	1,405	5,922	36,684
Expected credit losses (HK$'000)	5,129	2,510	2,490	1,981	1,405	5,922	19,437

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

The movements in the loss allowance for impairment of receivables under LNG finance lease arrangements are as follows:

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
At beginning of the year/period	**19,437**	11,613
(Reversal of impairment)/impairment	**(1,195)**	7,824
Exchange realignment	**(1,241)**	–
At end of the year/period	**17,001**	19,437

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

The receivables are secured by the leased vehicles. 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.

20. LNG FINANCE LEASE RECEIVABLES

	Minimum lease payments 2020 HK$'000	Minimum lease payments 2019 HK$'000	**Present value of minimum lease payments 2020 HK$'000**	Present value of minimum lease payments 2019 HK$'000
Within one year	**38,007**	42,527	**33,588**	35,793
Less: Unearned finance income	**(4,419)**	(6,734)		
Present value of minimum lease payment receivables	**33,588**	35,793		
Less: Impairment	**(27,120)**	(27,346)	**(27,120)**	(27,346)
	6,468	8,447		
Less: Portion classified as current assets			**(6,468)**	(8,447)
Non-current portion			**–**	–

20. 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 periods ranging from 2 years to 4.5 years (2019: 2 years to 4.5 years) from the date of inception. The ownership of the leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and interest accrued under the finance lease contracts. The lessees obtain control of the assets after entering into the contracts.

At 31 March 2020, the effective interest rates applicable to the finance lease ranged from approximately 9% to 12.65% per annum (2019: 7.69% to 12.82%). The maturity profile of LNG finance lease receivables (net of impairment) at the end of the reporting period, is as follows:

	2020 **HK$'000**	2019 HK$'000
Neither past due nor impaired	**6,394**	8,318
Past due but not impaired:		
Within 3 months	**74**	103
4 to 6 months	**–**	21
7 to 9 months	**–**	5
	6,468	8,447

Set out below is the information about the credit risk exposure on the Group's LNG finance lease receivables using a provision matrix:

As at 31 March 2020

		Past due					
	Current	**Within 3 months**	**4 to 6 months**	**7 to 9 months**	**10 to 12 months**	**Over 1 year**	**Total**
Expected credit losses rate	**22.80%**	**82.30%**	**100%**	**100%**	**100%**	**100%**	
Gross carrying amount (HK$'000)	**8,282**	**418**	**2,963**	**2,957**	**2,258**	**16,710**	**33,588**
Expected credit losses (HK$'000)	**1,888**	**344**	**2,963**	**2,957**	**2,258**	**16,710**	**27,120**

As at 31 March 2019

		Past due					
	Current	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	Over 1 year	Total
Expected credit losses rate	45.44%	95.29%	99.12%	99.76%	100%	100%	
Gross carrying amount (HK$'000)	15,245	2,180	2,389	2,184	2,221	11,574	35,793
Expected credit losses (HK$'000)	6,927	2,077	2,368	2,179	2,221	11,574	27,346

20. LNG FINANCE LEASE RECEIVABLES *(continued)*

The movements in the loss allowance for impairment of LNG finance lease receivables are as follows:

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
At beginning of the year/period	**27,346**	29,747
Impairment/(reversal of impairment)	**1,605**	(2,401)
Exchange realignment	**(1,831)**	–
At end of the year/period	**27,120**	27,346

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

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

21. INVENTORIES

	2020 HK$'000	2019 HK$'000
LNG	**10,585**	21,242

22. LOAN RECEIVABLES

	2020 HK$'000	2019 HK$'000
Loan receivables	**167,115**	187,820
Less: Impairment	**(64,237)**	(1,016)
	102,878	186,804

Loan receivables relate to 2 (2019: 2) customers. 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 management. Loan receivables are charged at the effective interest rates mutually agreed with contracting parties at fixed rates of 1% to 18% (2019: 12% to 18%) per annum.

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

22. LOAN RECEIVABLES *(continued)*

The movements in the loss allowance for impairment of loan receivables are as follows:

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
At beginning of the year/period	**1,016**	–
Impairment	**63,221**	1,016
At end of the year/period	**64,237**	1,016

For those balances which were past due but not impaired, they are related to a borrower for which management has assessed its financial position and performance as well as collateral.

The Group holds collateral or other credit enhancement over its loan receivables balance of HK$167,115,000 (2019: HK$187,820,000) out of which a loan receivable of HK$96,185,000 (2019: HK$127,817,000) from a non-controlling shareholder of Key Fit Group Limited, a 60.42%-owned subsidiary of the Company, was collateralised with shares of Key Fit Group Limited. The Group estimated the loss given default of the loan at 0% based on the expected disposal price of collateral at HK$110,000,000 (2019: HK$145,000,000).

During the year, the son of Dr. Kan acquired from the non-controlling shareholders 1.7% of shares of Key Fit Group Limited at a consideration of HK$35,000,000, which was applied to partially settle the loan receivable.

At 31 March 2020, an impairment of HK$64,237,000 (2019: HK$1,016,000) was made to another loan receivable of a gross amount of HK$70,930,000 (2019: HK$60,003,000). Life time probability of default rate of 100% (2019: 12.88%) and loss given default rate of 90.57% (2019: 13.15%) are applied in the impairment calculation.

23. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Notes	**2020 HK$'000**	2019 HK$'000
Accounts receivables arising from dealing in securities	(a)		
Cash clients		**317**	325
Margin clients		**52,757**	54,594
Less: Impairment		**(42,613)**	(4,779)
		10,144	49,815
Hong Kong Securities Clearing Company Limited		**277**	197
Accounts receivables arising from LNG business	(b)	**75,051**	84,487
Less: Impairment		**(19,059)**	(5,055)
		55,992	79,432
Total accounts receivables		**66,730**	129,769
Prepayments		**84,860**	107,111
Deposits and other receivables	(c)	**73,442**	25,124
Loans to third parties	(d)	**1,758**	1,881
Value-added tax recoverable		**57,830**	86,292
		284,620	350,177

Notes:

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

At 31 March 2020, the accounts receivables from margin clients were repayable on demand, interest-bearing at 9.25% (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$11,662,000 (2019: HK$51,909,000).

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

23. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(continued)*

Notes: (continued)

(a) (continued)

Analysis of changes in the corresponding ECL allowance is as follows:

	31 March 2020			
	Stage 1 HK$'000	**Stage 2 HK$'000**	**Stage 3 HK$'000**	**Total HK$'000**
At 1 April 2019	**1,103**	**–**	**3,676**	**4,779**
Other changes (including new assets and derecognised assets)	**–**	**–**	**37,834**	**37,834**
Transfer to lifetime expected credit loss –not credit impaired (Stage 2)	**(1,103)**	**1,103**	**–**	**–**
Transfer to lifetime expected credit loss – credit impaired (Stage 3)	**–**	**(1,103)**	**1,103**	**–**
At 31 March 2020	**–**	**–**	**42,613**	**42,613**
Arising from: Margin clients	**–**	**–**	**42,613**	**42,613**
ECL rate	**–**	**–**	**80.8%**	

	31 March 2019			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000
As at 1 January 2018	–	–	–	–
Other changes (including new assets and derecognised assets)	1,103	–	3,676	4,779
Transfer to lifetime expected credit loss –not credit impaired (Stage 2)	–	–	–	–
Transfer to lifetime expected credit loss – credit impaired (Stage 3)	–	–	–	–
As at 31 March 2019	1,103	–	3,676	4,779
Arising from: Margin clients	1,103	–	3,676	4,779
ECL rate	2.4%	–	41.6%	

During the period from 1 January 2018 to 31 March 2019, there was no transfer expected credit losses or changes in risk parameters.

23. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(continued)*

Notes: (continued)

(b) The Group has established credit policies that follow local industry standards. The average normal credit periods offered to trade customers are within 30 to 90 days. The ageing analysis of accounts receivables arising from LNG business presented based on the invoice date and net of loss allowance is as follows:

	2020 HK$'000	2019 HK$'000
Within 3 months	**31,976**	46,747
4 to 6 months	**17,608**	18,932
7 to 9 months	**6,408**	5,231
10 to 12 months	**–**	7,190
Over 12 months	**–**	1,332
	55,992	79,432

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivables are written off if past due for more than one year and are not subject to enforcement activity.

The movements in the loss allowance for impairment of accounts receivables arising from LNG business are as follows:

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
At beginning of the year/period	**5,055**	–
Impairment	**14,004**	5,055
At end of the year/period	**19,059**	5,055

23. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(continued)*

Notes: (continued)

(b) (continued)

Set out below is the information about the credit risk exposure on the Group's accounts receivables arising from LNG business using a provision matrix:

As at 31 March 2020

		Past due				
	Current	**Within 3 months**	**4 to 6 months**	**7 to 9 months**	**10 to 12 months**	**Total**
Expected credit losses rate	**3.47%**	**–**	**17.13%**	**25.87%**	**100.00%**	
Gross carrying amount (HK$'000)	**33,121**	**–**	**21,248**	**8,650**	**12,032**	**75,051**
Expected credit losses (HK$'000)	**1,149**	**–**	**3,640**	**2,238**	**12,032**	**19,059**

As at 31 March 2019

		Past due				
	Current	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	Total
Expected credit losses rate	1.88%	4.32%	9.32%	14.07%	54.39%	
Gross carrying amount (HK$'000)	47,643	19,787	5,769	8,367	2,921	84,487
Expected credit losses (HK$'000)	896	855	538	1,177	1,589	5,055

(c) The balance mainly represents rental deposits and deposits with suppliers. Expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate at 31 March 2020 was considered to be minimal.

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

(d) The loans were unsecured, interest-bearing at 8% (2019: 8%) per annum and repayable on demand.

24. BANK BALANCES HELD ON BEHALF OF CLIENTS

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

25. CASH AND CASH EQUIVALENTS

	2020 **HK$'000**	2019 HK$'000
Cash and bank balances	**50,030**	100,386
Cash on hand	**1**	2
	50,031	100,388

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$35,854,000 (2019: HK$54,526,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through authorised banks to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

26. ACCOUNTS PAYABLES

	Notes	2020 HK$'000	2019 HK$'000
Accounts payables arising from dealing in securities	(a)		
Cash clients		**1,343**	15,091
Margin clients		**156**	1,752
Accounts payables arising from LNG business	(b)	**85,232**	60,408
		86,731	77,251

Notes:

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

The accounts payables amounting to approximately HK$1,499,000 (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 payables arising from the ordinary course of business of dealing in securities are mainly denominated in Hong Kong dollars.

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

	2020 HK$'000	2019 HK$'000
Within 3 months	**56,848**	26,355
4 to 6 months	**26,156**	9,647
Over 6 months	**2,228**	24,406
	85,232	60,408

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

27. OTHER PAYABLES AND ACCRUALS

	Notes	2020 HK$'000	2019 HK$'000
Accruals and other payables		**81,716**	56,200
Contract liabilities	(a)	**50,736**	53,440
Guaranteed deposits on LNG finance leases and finance leases arrangements		**7,971**	14,539
Loans from a shareholder	(b)	**468,781**	493,922
Interest payable on loans from a shareholder	(b)	**39,417**	20,647
Loans from third parties	(c)	**1,966**	48,842
Loans from joint ventures	(d)	**–**	47,907
Amounts due to shareholders of non-controlling interests	(e)	**–**	3,367
Payable for the right to acquire plant and equipment	12	**285,285**	305,271
		935,872	1,044,135
Non-current portion of loans from a shareholder		**(468,781)**	(493,922)
Current portion		**467,091**	550,213

Notes:

(a) Contract liabilities represented short-term advances received before sales and distribution of LNG to customers. Movements in contract liabilities are as follows:

	2020 HK$'000	2019 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	**53,440**	80,201

(b) Balance of HK$468,781,000 (2019: HK$493,922,000) represented loans from a shareholder, Dr. Kan, of which RMB20,000,000, equivalent to approximately HK$21,840,000 (2019: RMB20,000,000, equivalent to approximately HK$23,369,000) and HK$446,941,000 (2019: HK$470,553,000) which bear interest at 5% (2019: 8% and 5% respectively) per annum. The loans are unsecured and repayable on demand. During the year, Dr. Kan agreed not to demand repayment of these loans until 30 June 2021. Balance of HK$39,417,000 (2019: HK$20,647,000) represents interest on the loans from a shareholder.

(c) The balance represents loans from third parties of RMB1,800,000, equivalent to approximately HK$1,966,000 (2019: RMB41,800,000, equivalent to approximately HK$48,842,000) which are unsecured, bear interest at 8% (2019: 8%) per annum and are repayable on demand.

(d) The loans were fully settled during the year. The loans from joint ventures were unsecured, bore interest at 4.79% to 6% per annum and were repayable on demand.

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

28. INTEREST-BEARING BANK BORROWINGS

	Loans	**2020 HK$'000**	2019 HK$'000
Bank loan, unsecured	(a)	**10,920**	–
Bank loan, unsecured	(b)	**8,736**	–
Bank loan, unsecured	(c)	**21,840**	–
Bank loan, unsecured	(d)	**16,380**	–
Bank loan, unsecured	(e)	**5,460**	–
Bank loan, unsecured	(f)	**–**	11,685
Bank loan, unsecured	(g)	**–**	38,559
		63,336	50,244

31 March 2020

	Effective interest rate (%)	**Maturity**	**HK$'000**
Loan (a)	Loan prime rate* plus 0.59%	2020	**10,920**
Loan (b)	Loan prime rate* plus 2.95%	2020	**8,736**
Loan (c)	People's Bank of China benchmark interest rate multiplied by 280%	2020	**21,840**
Loan (d)	Loan prime rate* plus 1.6%	2021	**16,380**
Loan (e)	Loan prime rate* plus 0.5%	2020	**5,460**
			63,336

31 March 2019

	Effective interest rate (%)	Maturity	HK$'000
Loan (f)	Loan prime rate* plus 0.04%	2019	11,685
Loan (g)	People's Bank of China benchmark interest rate multiplied by 160%	2019	38,559
			50,244

The bank loans are supported by corporate guarantee provided by certain of the Company's wholly-owned subsidiaries of RMB67,000,000, equivalent to approximately HK$73,164,000 (2019: RMB43,000,000, equivalent to approximately HK$50,244,000), land use right and LNG business license. The Group's bank borrowings are denominated in Renminbi.

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

29. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16:

	Minimum lease payments		**Present value of minimum lease payments**	
	31 March 2020 HK$'000	1 April 2019 HK$'000	**31 March 2020 HK$'000**	1 April 2019 HK$'000
Within one year	**38,295**	14,739	**33,046**	12,632
More than one year	**50,064**	20,553	**46,471**	18,345
Total minimum finance lease payments	**88,359**	35,292	**79,517**	30,977
Future finance charges	**(8,842)**	(4,315)		
Present value of lease obligations	**79,517**	30,977		

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17.

30. FINANCE LEASE ARRANGEMENTS

The Group leases certain of its motor vehicles for its sales and distribution of LNG business. These leases are classified as finance leases as at 31 March 2019 and have remaining lease terms ranging from one to two years.

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

The Group recognised the payable for the finance lease of motor vehicles in obligations under finance leases before 1 April 2019. On the date of transition to HKFRS 16, obligations under finance leases of HK$13,151,000 were adjusted to lease liabilities recognised at 1 April 2019 (note 2.2).

31. SHARE CAPITAL

	2020 HK$'000	2019 HK$'000
Issued and fully paid:		
5,643,797,090 (2019: 5,643,797,090) ordinary shares	**112,876**	112,876

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

	Note	Number of shares in issue	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 2020		**5,643,797,090**	**112,876**	**434,385**	**547,261**

Note:

(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 34), resulting in the addition of share capital of HK$554,000 and share premium of HK$33,106,000.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current year and prior period are presented in the consolidated statement of changes in equity of the consolidated financial statements.

The special reserve of the Group represents (i) the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition under the group reorganisation; and (ii) the difference between the consideration paid for acquisition of additional interests in subsidiaries and the net carrying amounts of the acquired portion.

33. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 30 August 2019 so as to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme.

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any full-time employees, directors, consultants or advisors of the Group, or any substantial shareholders of the Group, or any distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors from time to time on the basis of the directors' opinion as to their contribution or potential contribution to the development and growth of the Group.

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme in any 12-month period up to and including the date of grant must not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who or whose associate is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates would result in the total number of shares issued and to be issued upon exercise of all options already granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK$5 million, such grant must be approved by the Company's shareholders in general meeting.

The offer of a grant of share options might be accepted in writing within 21 days inclusive of the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 21 days from the date of the offer).

33. SHARE OPTION SCHEME *(continued)*

The subscription price shall be a price solely determined by the directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share on the date of grant of the option.

The Scheme shall be valid and effective for a period of ten years commencing on the date of share options grant and expiring on the business day immediately preceding the 10th anniversary thereof, subject to early termination provisions contained in the Scheme.

The maximum number of shares of the Company which may be issued upon exercise of all options that may be granted under the existing Scheme limit is 564,379,709 shares (representing approximately 10% of the issued share capital of the Company as at the date of approval of the Scheme).

There is no performance target which must be achieved before any of the options can be exercised.

(a) A summary of the movements of share options granted under the during the year ended 31 March 2020 is as follows:

				Number of share options		
	Date of grant	Exercise period	Exercise price	Granted during the year	Cancelled during the year	Outstanding at 31 March 2020
Directors	31 December 2019	31 December 2021 – 31 December 2029	HK$0.53	2,412,000	(720,000)	1,692,000
		31 December 2022 – 31 December 2029	HK$0.53	2,412,000	(720,000)	1,692,000
		31 December 2023 – 31 December 2029	HK$0.53	3,216,000	(960,000)	2,256,000
Employees	31 December 2019	31 December 2021 – 31 December 2029	HK$0.53	7,200,000	–	7,200,000
		31 December 2022 – 31 December 2029	HK$0.53	7,200,000	–	7,200,000
		31 December 2023 – 31 December 2029	HK$0.53	9,600,000	–	9,600,000
				32,040,000	(2,400,000)	29,640,000

The share options are vested as: (a) first 30% on the two-year anniversary from the date of grant; (b) next 30% on the three-year anniversary from the date of grant; and (c) remaining 40% on the four-year anniversary from the date of grant.

33. SHARE OPTION SCHEME *(continued)*

(b) The number and weighted average of exercise prices of share options are as follows:

	Weighted average of exercise price HK$	**Number of options**
Granted during the year	0.53	32,040,000
Cancelled during the year	0.53	(2,400,000)
Outstanding at the end of year	0.53	29,640,000

There were 2,400,000 share options cancelled during the year ended 31 March 2020.

The share options outstanding at 31 March 2020 had an exercise price of HK$0.53 and a weighted average remaining contractual life of 9.76 years.

(c) Fair value of share options granted

Fair value of share options granted during the year ended 31 March 2020 was as follows:

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share option granted is measured based on Binomial Option Pricing Model.

Share price (HK$)	0.53
Exercise price (HK$)	0.53
Expected volatility (%)	69.113
Expected dividend yield (%)	0
Risk-free interest rate (%)	1.706

The expected volatility is based on the historical volatility (calculated based on the expected life of the share options), adjusted for any expected changes to future volatility due to public available information. Expected dividends are based on historical dividends. Changes in subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants. However, the management has taken into consideration of historical staff turnover pattern for the estimation of expected option life.

34. 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.

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, 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 HK$'000	**Derivatives** HK$'000	**Total** HK$'000
As at the issue date of convertible 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)
	–	–	–

35. 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. At 31 March 2019, the capital injection of RMB10,300,000 was not completed.

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.

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

	Notes	HK$'000
Property, plant and equipment	12	12,849
Intangible assets	15	6,815
Accounts and other receivables		905
Prepayment		329
Cash and bank balances		566
Accounts and other payables		(1,604)
Deferred tax liabilities	9(b)	(3,958)
Total identifiable net assets at fair value		15,902
Goodwill on acquisition	14	513
Satisfied by:		
Cash consideration (RMB14,000,000)		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.

35. ACQUISITION OF SUBSIDIARIES *(continued)*

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

	HK$'000
Cash consideration	(16,415)
Cash and bank balances acquired	566
Net outflow of cash and cash equivalents included in cash flows from investing activities	(15,849)

Since the acquisition, Jiang Yin Hongwei Transportation contributed HK$10,892,000 to the Group's revenue and profit of HK$5,450,000 to the consolidated loss for the period from 1 January 2018 to 31 March 2019.

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

36. DISPOSAL OF SUBSIDIARIES

(a) On 6 September 2019, Zhejiang Gangneng Natural Gas Utilization Co., Ltd.* (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 a sale and purchase agreement, pursuant to which the subsidiary 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 disposal of the 51% interest in Gangsheng New Energy on 27 September 2019, Gangsheng New Energy has ceased to be a subsidiary of the Group.

	HK$'000
Property, plant and equipment	6
Deposits and other receivables	253
Cash and bank balances	206
Accounts and other payables	(88)
	377
Release of exchange reserve	24
Non-controlling interest	(185)
Loss on disposal of a subsidiary	(18)
	198
Satisfied by:	
Cash consideration	198

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of Gangsheng New Energy during the year was as follows:

Cash consideration	198
Cash and cash equivalents disposed of	(206)
Net outflow of cash and cash equivalents in respect of the disposal of Gangsheng New Energy	(8)

36. DISPOSAL OF SUBSIDIARIES *(continued)*

(b) On 30 July 2019, Jiangsu Gangyida Energy Co., Ltd.* (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 a sale and purchase agreement, pursuant to which the subsidiary has conditionally agreed to sell and Qianzhu Energy has conditionally agreed to purchase 100% equity interests in Puyang Green Dynamic New Energy Co., Ltd.* (沭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 disposal of the 100% interest in Puyang Green Dynamic on 19 September 2019, Puyang Green Dynamic has ceased to be a subsidiary of the Group.

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

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

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

36. DISPOSAL OF SUBSIDIARIES *(continued)*

(c) On 24 July 2019, CLNG Natural Gas Co., Ltd. (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 a sale and purchase agreement, pursuant to which the subsidiary 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 disposal of the 51% interest in Henan Jingang on 30 July 2019, Henan Jingang has ceased to be a subsidiary of the Group.

	HK$'000
Cash and bank balances	1,102
Accounts and other payables	(540)
Gain on disposal of a subsidiary	209
	771
Satisfied by:	
Cash consideration	771

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of Henan Jingang during the year was as follows:

Cash consideration	771
Cash and cash equivalents disposed of	(1,102)
Net outflow of cash and cash equivalents in respect of the disposal of Henan Jingang	(331)

36. 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, pursuant to which 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.

	HK$'000	HK$'000
Net assets disposed of:		
Property, plant and equipment		
cost	1,873	
accumulated depreciation	(6)	
		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)
		90,264
Release of exchange reserve		3,625
Non-controlling interest		(39,953)
Gain on disposal of a subsidiary		3,578
		57,514
Satisfied by:		
Cash consideration		57,514

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)
Net inflow of cash and cash equivalents in respect of the disposal of Hebei Tiandao	57,157

37. 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 indirect 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

	HK$'000
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)
Difference recognised in special reserve	(6,590)

For acquisition of 35% interests of Hebei Dezhong

	HK$'000
Carrying amount of Hebei Dezhong on the acquisition date	(6,538)
Carrying amount of non-controlling interests on the acquisition date	(2,288)
Consideration paid (RMB8,520,000)	(9,976)
Difference recognised in special reserve	(12,264)

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

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

(b) During the preceding 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.

For acquisition of 1% interests of Ningbo Gangfu

	HK$'000
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)	(119)
Difference recognised in special reserve	(2)

For acquisition of 7% interests of Hebei Gangzhong

	HK$'000
Carrying amount of Hebei Gangzhong on the acquisition date	2,057
Carrying amount of non-controlling interests on the acquisition date	144
Consideration paid (RMB Nil)	–
Difference recognised in special reserve	144

For acquisition of 40% interests of Shandong Aohai

	HK$'000
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)	(2,076)
Difference recognised in special reserve	(2,252)

38. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

31 March 2020

	Loans from a shareholder HK$'000	Interest-bearing bank borrowings HK$'000	Other payables and accruals HK$'000	Lease liabilities HK$'000
At 1 April 2019	493,922	50,244	550,213	–
Initial adoption of HKFRS 16 (note 2.2)	–	–	(8,415)	30,977
At 1 April 2019	493,922	50,244	541,798	30,977
Changes from financing activities				
– Capital element of lease liabilities paid	–	–	–	(19,895)
– Interest element of lease liabilities paid	–	–	–	(3,762)
– Loans from a shareholder	18,940	–	–	–
– Repayment to a shareholder	(42,552)	–	–	–
– Interest paid on interest-bearing bank borrowings	–	(2,802)	–	–
– Interest paid on loans from third parties	–	–	(2,913)	–
– Interest paid on loans from a shareholder	–	–	(4,277)	–
– New bank loans	–	98,710	–	–
– Repayment of bank loan	–	(83,927)	–	–
– Loans from third parties	–	–	(44,795)	–
– Advance of loans from joint ventures	–	–	(47,907)	–
Interest expenses	–	2,802	26,129	3,762
Disposal of subsidiaries	–	–	(16,314)	–
Changes classified as operating cash flows	–	–	45,630	–
New lease entered	–	–	–	77,016
Write-off on termination of lease	–	–	–	(6,535)
Foreign exchange movement	(1,529)	(1,691)	(30,260)	(2,046)
At 31 March 2020	468,781	63,336	467,091	79,517

31 March 2019

	Loans from a shareholder HK$'000	Convertible notes HK$'000	Interest-bearing bank borrowings HK$'000	Other payables and accruals HK$'000
At 1 January 2018	–	–	–	225,397
Transfer	30,284	–	–	(30,284)
Changes from financing activities				
– Loans from a shareholder	464,187	–	–	–
– Issuance of convertible notes	–	33,660	–	–
– Interest paid on convertible notes	–	(2,190)	–	–
– Interest paid on interest-bearing bank borrowings	–	–	(905)	–
– Interest paid on loans from third parties	–	–	–	(3,384)
– New bank loans	–	–	50,811	–
– Loans from third parties	–	–	–	49,394
– Advance of loans from joint ventures	–	–	–	47,907
Interest expenses	–	2,190	905	23,747
Right to acquire plant and equipment	–	–	–	305,271
Changes classified as operating cash flows	–	–	–	(60,593)
Conversion of convertible notes	–	(33,660)	–	–
Foreign exchange movement	(549)	–	(567)	(7,242)
At 31 March 2019	493,922	–	50,244	550,213

38. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Non-cash transaction

During the preceding period, the liability related to the right to acquire plant and equipment of HK$305,271,000 is not settled (notes 12 and 27).

39. OPERATING LEASE COMMITMENT

As lessee

At 31 March 2019, the Group's total future minimum lease payments under non-cancellable operating leases as follows:

	HK$'000
Within one year	10,620
In the second to fifth years inclusive	6,890
Over five years	9,876
	27,386

The Group is the lessee in respect of certain office properties and office equipment held under leases for a term of two to thirty years with fixed monthly rentals, which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to these leases (see note 2.2). From 1 April 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 2.4 to the consolidated financial statements, and the details regarding the Group's future lease payments are disclosed in note 29 to the consolidated financial statements.

40. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 **HK$'000**	2019 HK$'000
Contracted but not provided for:		
Property, plant and equipment	**317,731**	198,838

In addition, the Group's share of a joint venture's own capital commitments, which are not included in the above, is as follows:

	2020 **HK$'000**	2019 HK$'000
Contracted but not provided for	**4,573**	7,682

41. RELATED PARTY TRANSACTIONS

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

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
Service fee income from a related company owned by an executive director and the substantial shareholder	**–**	233
Interest expense on loans from an executive director and the substantial shareholder	**23,216**	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$800,000,000 (2019: HK$600,000,000) to the Company by Dr. Kan. At 31 March 2020, this facility had been utilised to the extent of HK$468,781,000 (2019: HK$493,922,000).

(c) Compensation of key management personnel

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

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
Short-term benefits	**19,769**	36,143
Post-employment benefits	**4,245**	6,737
Share-based payments	**775**	–
	24,789	42,880

Further details of director's emoluments are included in note 7 to the consolidated financial statements.

41. RELATED PARTY TRANSACTIONS *(continued)*

(d) Outstanding balances with related parties

(i) Details of the Group's loans from a shareholder, Dr. Kan, are included in note 27(b) to the consolidated financial statements.

(ii) Details of the loan to a joint venture and loans from joint ventures are included in notes 17 and 27(d) to the consolidated financial statements.

(iii) Certain operating lease payment is guaranteed by a shareholder, Dr. Kan.

42. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2020	2019
Percentage of equity interest held by non-controlling interests:		
Key Fit Group Limited and its subsidiaries	**39.58%**	39.58%

	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
(Loss)/profit for the year/period allocated to non-controlling interests:		
Key Fit Group Limited and its subsidiaries	**(46,305)**	9,660
Accumulated balances of non-controlling interests at the reporting date:		
Key Fit Group Limited and its subsidiaries	**366,343**	429,036

42. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS *(continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

Year ended 31 March 2020	**Key Fit Group Limited and its subsidiaries HK$'000**
Revenue	**31,091**
Total expenses	**(148,082)**
Loss for the year	**(116,991)**
Total comprehensive loss for the year	**(158,394)**
Current assets	**1,335,003**
Non-current assets	**47,249**
Non-current liability	**(1,531)**
Current liabilities	**(455,145)**
Net cash flows from operating activities	**1,858**
Net cash flows from investing activities	**65,745**
Net cash flows used in financing activities	**(25,007)**
Net increase in cash and cash equivalents	**42,596**

Period from 1 January 2018 to 31 March 2019	Key Fit Group Limited and its subsidiaries HK$'000
Revenue	57,737
Total expenses	(33,330)
Profit for the period	24,407
Total comprehensive income for the period	4,830
Current assets	1,407,062
Non-current assets	5,958
Current liabilities	(329,050)
Net cash flows used in operating activities	(404,544)
Net cash flows used in investing activities	(109,072)
Net cash flows from financing activities	267,369
Net decrease in cash and cash equivalents	(246,247)

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2020 HK$'000	2019 HK$'000
Receivables under LNG finance lease arrangements	**6,342**	17,247
LNG finance lease receivables	**6,468**	8,447
Loan receivables	**102,878**	186,804
Accounts receivables	**66,730**	129,769
Financial assets included in deposits and other receivables	**75,200**	27,005
Bank balances held on behalf of clients	**1,590**	15,247
Cash and cash equivalents	**50,031**	100,388
	309,239	484,907

Financial liabilities

	2020 HK$'000	2019 HK$'000
Accounts payables	**86,731**	77,251
Financial liabilities included in other payables and accruals	**867,259**	964,780
Interest-bearing bank borrowings	**63,336**	50,244
Lease liabilities	**79,517**	–
Obligations under finance lease	**–**	4,736
	1,096,843	1,097,011

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include cash and cash equivalents, bank balances held on behalf of clients, financial assets included in receivables under finance lease arrangements and LNG finance lease receivables, loan receivables, accounts and other receivables, loans from third parties, accounts and other payables, interest-bearing bank borrowings and lease liabilties. Details of these financial instruments are disclosed in the respective notes to these consolidated financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Credit risk

The Group's principal financial assets are cash and cash equivalents, receivables under finance lease arrangements, LNG finance lease receivables, loan receivables, accounts and other receivables and loans to third parties.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure as at 31 March 2020

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2020. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Receivables under LNG finance lease arrangements *	–	–	–	23,343	23,343
LNG finance lease receivables *	–	–	–	33,588	33,588
Loan receivables					
– Default **	–	–	167,115	–	167,115
Accounts receivables arising from dealing in securities **					
– LTV at 100% or above	–	–	52,757	–	52,757
– Cash client and clearing house	594	–	–	–	594
Accounts receivables arising from LNG business *	–	–	–	75,051	75,051
Financial assets included in deposits and other receivables					
– Normal **	73,442	–	–	–	73,442
Loans to third parties					
– Not yet past due	1,758	–	–	–	1,758
Bank balance held on behalf of clients					
– Not yet past due	1,590	–	–	–	1,590
Cash and cash equivalents					
– Not yet past due	50,031	–	–	–	50,031
	127,415	–	219,872	131,982	479,269

* For receivables under LNG finance lease arrangements, LNG finance lease receivables and accounts receivables arising from LNG business to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in the respective notes to the financial statements.

** The credit quality is considered to be "normal" when they are not past due or the LTV is below 100% and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "default".

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure as at 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Receivables under LNG finance lease arrangements *	–	–	–	36,684	36,684
LNG finance lease receivables *	–	–	–	35,793	35,793
Loan receivables					
– Default **	–	–	187,820	–	187,820
Accounts receivables arising from dealing in securities **					
– LTV at 100% or above	–	–	8,840	–	8,840
– LTV between 80% to 100%	43,448	–	–	–	43,448
– LTV below 80%	2,306	–	–	–	2,306
– Cash client and clearing house	522	–	–	–	522
Accounts receivables arising from LNG business *	–	–	–	84,487	84,487
Financial assets included in deposits and other receivables					
– Normal **	25,124	–	–	–	25,124
Loans to third parties					
– Not yet past due	1,881	–	–	–	1,881
Bank balance held on behalf of clients					
– Not yet past due	15,247	–	–	–	15,247
Cash and cash equivalents					
– Not yet past due	100,388	–	–	–	100,388
	188,916	–	196,660	156,964	542,540

* For receivables under LNG finance lease arrangements, LNG finance lease receivables and accounts receivables arising from LNG business to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in the respective notes to the financial statements.

** The credit quality is considered to be "normal" when they are not past due or the LTV is below 100% and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "default".

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its interest-bearing bank and other borrowings. Borrowings at variable rates expose the Group to interest rate risk. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors the Group's interest rate exposure and considers entering into interest rate swaps to reduce its exposure to interest rate fluctuations should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's equity (before any impact on tax).

	Increase in interest rate	Increase in loss before tax HK$'000	Decrease in equity* HK$'000
31 March 2020			
Interest-bearing bank borrowings	100 basis points	**633**	**–**
31 March 2019			
Interest-beraing bank borrowings	100 basis points	502	–

* Excluding retained profits

Foreign exchange risk

The Group operates mainly in Hong Kong and Mainland China with most of its transactions settled in Hong Kong dollars and Renminbi. Certain of the Group's monetary assets and liabilities are denominated in US$. The Group is exposed to foreign exchange risk arising from the exposure of Renminbi and US$ against HK$. The Group considered the impact on equity from the change in US$ exchange rate was minimal at the end of the reporting period since HK$ is pegged to US$. In the current year, all of the Group's bank and other borrowings are denominated in Renminbi.

Management monitors the Group's currency exposure on an ongoing basis and considers entering into forward currency contracts when the need arises.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign exchange risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase in exchange rate %	Increase in loss before tax HK$'000
31 March 2020		
If Hong Kong dollar weakens against Renminbi	**5**	**5,276**
31 March 2019		
If Hong Kong dollar weakens against Renminbi	5	2,569

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	31 March 2020		
	On demand and less than 12 months HK$'000	**1 to 5 years HK$'000**	**Total HK$'000**
Accounts payables	**86,731**	**–**	**86,731**
Financial liabilities included in other payables and accruals	**359,061**	**508,198**	**867,259**
Interest-bearing bank borrowings	**63,336**	**–**	**63,336**
Lease liabilities	**38,295**	**50,064**	**88,359**
	547,423	**558,262**	**1,105,685**

	31 March 2019		
	On demand and less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Accounts payables	77,251	–	77,251
Financial liabilities included in other payables and accruals	441,796	514,569	956,365
Interest-bearing bank borrowings	50,244	–	50,244
Obligations under finance lease	9,444	4,893	14,337
	578,735	519,462	1,098,197

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity of the Group. The Group's policy is to maintain the gearing ratio not exceeding 100%. Net debt includes accounts payables, other payables and accruals, interest-bearing bank borrowings, lease liabilities, obligations under finance lease and cash and cash equivalents. Capital includes total equity of the Group. The gearing ratios as at the end of the reporting periods were as follows:

	2020 **HK$'000**	2019 HK$'000
Accounts payables	**86,731**	77,251
Other payables and accruals, and loans from a shareholder	**935,872**	1,044,135
Interest-bearing bank borrowings	**63,336**	50,244
Lease liabilities	**79,517**	–
Obligations under finance lease	**–**	4,736
Less: Cash and cash equivalents	**(50,031)**	(100,388)
Net debt	**1,115,425**	1,075,978
Total equity	**512,669**	900,429
Gearing ratio	**218%**	119%

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 **HK$'000**	2019 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**462,945**	462,945
Right-of-use assets	**1,287**	–
	464,232	462,945
CURRENT ASSETS		
Amounts due from a subsidiary	**733,206**	733,206
Prepayments	**456**	456
Bank balances	**346**	354
Total current assets	**734,008**	734,016
CURRENT LIABILITIES		
Other payables and accruals	**819**	116
Lease liabilties	**1,129**	–
Amounts due to subsidiaries	**344,961**	292,520
Amount due to a shareholder	**–**	9,321
Total current liabilities	**346,909**	301,957
NET CURRENT ASSETS	**387,099**	432,059
TOTAL ASSETS LESS CURRENT LIABILITIES	**851,331**	895,004
NON-CURRENT LIABILITIES		
Lease liabilities	**183**	–
Loans from a shareholder	**203,178**	226,553
Total non-current liabilties	**203,361**	226,553
NET ASSETS	**647,970**	668,451
EQUITY		
Share capital	**112,876**	112,876
Reserves (note)	**535,094**	555,575
Total equity	**647,970**	668,451

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Special reserve HK$'000	Share option reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2018	401,279	112,369	–	32,110	545,758
Total comprehensive loss for the period	–	–	–	(23,289)	(23,289)
Conversion of convertible notes	33,106	–	–	–	33,106
At 31 March 2019 and 1 April 2019	434,385	112,369	–	8,821	555,575
Total comprehensive loss for the year	**–**	**–**	**–**	**(21,256)**	**(21,256)**
Share-based payments	**–**	**–**	**825**	**–**	**825**
Cancellation of share options	**–**	**–**	**(50)**	**–**	**(50)**
At 31 March 2020	**434,385**	**112,369**	**775**	**(12,435)**	**535,094**

Financial Summary

	For the year ended 31 December			Period from 1 January 2018 to 31 March	**Year ended 31 March**
	2015	2016	2017	2019	**2020**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	30,847	200,711	897,672	2,670,934	**1,857,438**
Profit/(loss) before taxation	401,571	155,141	(135,132)	(247,748)	**(304,540)**
Taxation	(557)	(2,332)	(16,935)	(6,885)	**(2,218)**
Profit/(loss) for the year/period	401,014	152,809	(152,067)	(254,633)	**(306,758)**
Attributable to:					
Equity shareholders of the Company	401,059	92,023	(123,729)	(254,328)	**(252,203)**
Non-controlling interests	(45)	60,786	(28,338)	(305)	**(54,555)**
Profit/(loss) for the year/period	401,014	152,809	(152,067)	(254,633)	**(306,758)**

	At 31 December			At 31 March	**At 31 March**
	2015	2016	2017	2019	**2020**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	1,122,619	1,627,362	1,588,160	2,084,021	**1,686,393**
Total liabilities	(274,748)	(245,084)	(343,746)	(1,183,592)	**(1,173,724)**
Total equity	847,871	1,382,278	1,244,414	900,429	**512,669**