

中國天然氣集團有限公司 CHINA LNG GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

INTERIM REPORT

▶ 2020/21

治理霧霾 / 改善環境

CONTROL SMOG / IMPROVE THE ENVIRONMENT

美麗中國踐行者 / 綠色環保志願者 / 能源革命助力者



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中国天然气集团

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Simon Murray
Dr. Lam, Lee G.

Independent Non-Executive Directors

Mr. Li Siu Yui
Mr. Chow Ching Ning
Mr. Lam Lum Lee

AUDIT COMMITTEE

Mr. Li Siu Yui (*Chairman*)
Mr. Chow Ching Ning
Mr. Lam Lum Lee

REMUNERATION COMMITTEE

Mr. Li Siu Yui (*Chairman*)
Mr. Chow Ching Ning
Dr. Kan Che Kin, Billy Albert

NOMINATION COMMITTEE

Mr. Li Siu Yui (*Chairman*)
Mr. Chow Ching Ning
Dr. Kan Che Kin, Billy Albert

COMPANY SECRETARY

Dr. Kan Che Kin, Billy Albert

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

Suntera (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR

Tricor Standard Limited
Level 54, Hopewell Centre 183 Queen's Road
East Hong Kong

WEBSITE

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STOCK CODE

931

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

	Notes	Six months ended	
		30 September 2020 (Unaudited) HK\$'000	30 September 2019 (Unaudited) HK\$'000
Revenue	4	289,500	1,024,666
Cost of sales		(257,058)	(1,026,226)
Gross profit/(loss)		32,442	(1,560)
Other income and gains		295	5,874
Share of results of associates		(678)	236
Share of results of joint ventures		(1,527)	(8)
Reversal of impairment of LNG finance lease receivables		–	23,389
Reversal of impairment of receivables under LNG finance lease arrangement		–	16,065
Selling and distribution expenses		(4,845)	(11,054)
Administrative expenses		(52,897)	(70,415)
Finance costs	6(a)	(15,799)	(19,168)
Loss before taxation	6	(43,009)	(56,641)
Taxation	7	5,518	(1,391)
Loss for the period		(37,491)	(58,032)
Attributable to:			
Equity shareholders of the Company		(35,543)	(65,208)
Non-controlling interests		(1,948)	7,176
Loss for the period		(37,491)	(58,032)
(Loss)/earnings per share (HK cents)	9		
– Basic		(0.630)	(1.155)
– Diluted		(0.630)	(1.155)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Six months ended	
	30 September 2020 (Unaudited) HK\$'000	30 September 2019 (Unaudited) HK\$'000
Loss for the period	(37,491)	(58,032)
Other comprehensive (loss)/income for the period, net of tax:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translating foreign operations	7,866	(71,623)
Release of exchange differences upon disposal of a subsidiary	-	(389)
Total comprehensive loss for the period	(29,625)	(130,044)
Total comprehensive loss for the period attributable to:		
Equity shareholders of the Company	(34,398)	(119,355)
Non-controlling interests	4,773	(10,689)
	(29,625)	(130,044)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Plant and equipment	10	475,823	470,054
Right-of-use assets		114,984	107,219
Goodwill		876	876
Other intangible assets		7,040	7,216
Interest in joint ventures		128,297	124,804
Interest in associates		8,176	7,622
Deposits for acquisition of plant and equipment		128,862	109,932
Deposits for acquisition of land use rights		110,586	110,621
Other assets		285,285	285,285
Statutory deposits		250	250
		1,260,179	1,223,879
Current assets			
Inventories		9,180	10,585
Receivables under LNG finance lease arrangements	11	2,684	6,342
LNG finance lease receivables	12	6,268	6,468
Loan receivables	13	116,468	102,878
Accounts and other receivables	14	269,343	284,620
Bank balance held on behalf of clients		–	1,590
Bank balances and cash		35,578	50,031
		439,521	462,514

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Current liabilities			
Accounts and other payables	15	604,447	553,822
Interest-bearing bank borrowings	16	60,261	63,336
Lease liabilities	17	38,254	33,046
Tax payable		–	3,938
		702,962	654,142
Net current (liabilities)/assets		(263,441)	(191,628)
Non-current liabilities			
Loans from a shareholder	15	469,681	468,781
Lease liabilities	17	39,586	46,471
Deferred tax liabilities		4,603	4,330
		513,870	519,582
Net assets		482,868	512,669
Capital and reserves			
Share capital		112,876	112,876
Reserves		(7,762)	30,223
Equity attributable to equity shareholders of the Company		105,114	143,099
Non-controlling interests		377,754	369,570
Total equity		482,868	512,669

The notes on pages 9 to 44 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 April 2019 (audited)	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	-	-	-	-	-	-	-	(185)	(185)
At 31 March 2020 and 1 April 2020 (audited)	112,876	434,385	775	(11,594)	(77,988)	(315,355)	143,099	369,570	512,669
Loss for the period	-	-	-	-	-	(35,543)	(35,543)	(1,948)	(37,491)
Other comprehensive loss for the period, net of tax:									
Exchange differences on translation of foreign operations	-	-	-	-	1,145	-	1,145	6,721	7,866
Total comprehensive loss for the period	-	-	-	-	1,145	(35,543)	(34,398)	4,773	(29,625)
Deregistration of Subsidiaries	-	-	-	(4,923)	-	-	(4,923)	-	(4,923)
Capital contribution from non- controlling interests of a subsidiary	-	-	-	-	-	-	-	3,411	3,411
Share-based payments	-	-	1,481	-	-	-	1,481	-	1,481
Cancellation of share options	-	-	(145)	-	-	-	(145)	-	(145)
At 30 September 2020 (unaudited)	112,876	434,385	2,111	(16,517)	(76,843)	(350,898)	105,114	377,754	482,868

The notes on pages 9 to 44 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	30 September 2020 (Unaudited) HK\$'000	30 September 2019 (Unaudited) HK\$'000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	35,013	(103,035)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(34,526)	(132,100)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(11,877)	173,329
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,390)	(61,806)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET	(3,063)	6,080
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	50,031	100,388
BANK BALANCE HELD ON BEHALF OF CLIENTS	–	44,662
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	35,578	12,261
	56,923	56,923



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

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

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

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

The Company had ceased the business of provision of securities brokerage and margin financing during the period ended 30 September 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

Statement of compliance

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

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the most recent consolidated financial statements for the year ended 31 March 2020, except for the standards, amendments and interpretations (hereinafter collectively referred to as “Hong Kong Financial Reporting Standards” or “HKFRSs”) issued by the HKICPA applicable to the annual period beginning on 1 April 2020. Details of these significant accounting policies change are set out in note 3.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period’s unaudited interim financial information:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the above revised HKFRSs and HKASs had no significant effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE

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

	Six months ended	
	30 September 2020 (Unaudited) HK\$'000	30 September 2019 (Unaudited) HK\$'000
Sales and distribution of LNG	186,617	969,751
Provision of LNG logistic services	100,170	41,700
Interest income from LNG finance lease arrangements	740	1,895
LNG finance leases interest income	–	–
Service fee income from leasing of LNG vehicles	–	–
Interest income from loan financing	1,973	8,644
Interest income from securities margin financing	–	2,543
Services fee income	–	93
Brokerage income	–	40
	289,500	1,024,666

5. SEGMENT INFORMATION

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

The Group's principal activities are as follows:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(continued)*

- (2) Provision of LNG logistic services;
- (3) Financial provision through finance leasing services for LNG vehicles, vessels and equipment;
- (4) Provision of LNG in the midstream and downstream market through fuelling/ refuelling of LNG in road refuelling stations for commercial vehicles and water refuelling stations for vessels and specifically designed refuelling facilities for equipment;
- (5) Commercial vehicle platform services through the Group's Environmental Green Club (“綠擎匯”), including provision of the commercial vehicles users long distance IT control, insurance handling and purchase/sale of their new/used LNG/diesel vehicles;
- (6) Trading of securities;
- (7) Provision of securities brokerage, bond placing, margin financing and securities investments in Hong Kong; and
- (8) Financial services through provision of money lending business.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION (continued)

Segment information about the aforementioned business is set out below:

	Sales and distribution of LNG		Provision of LNG logistic services		Financial provision through finance leasing services for LNG vehicles, vessels and equipment		Provision of LNG in the midstream and downstream market		Provision of commercial vehicle platform services		Trading of securities		Provision of securities brokerage, bond placing, margin financing and securities investments		Financial services through provision of money lending business		Consolidated for continuing operations	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	September 2020	September 2019	September 2020	September 2019	September 2020	September 2019	September 2020	September 2019	September 2020	September 2019	September 2020	September 2019	September 2020	September 2019	September 2020	September 2019	September 2020	September 2019
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
REVENUE																		
External	186,617	969,751	100,170	41,700	740	1,895	-	-	-	-	-	-	687	2,676	1,286	8,644	289,500	1,024,666
RESULTS																		
Segment results	(10,800)	(32,286)	4,391	(29,655)	(1,533)	(2,629)	-	(172)	-	(76)	-	(1,374)	(213)	(252)	-	8,581	(8,155)	(57,863)
Other income and gains																	295	1,654
Finance costs																	(15,799)	(19,168)
Reversal of impairment of LNG finance lease receivables																	-	23,389
Reversal of impairment of receivables under LNG finance lease arrangement																	-	16,065
Share of results of joint ventures																	(1,527)	(8)
Share of results of associates																	(678)	236
(Loss)/Gain on disposal of subsidiaries																	(564)	3,383
Unallocated corporate expenses																	(16,581)	(24,329)
Loss before taxation																	(43,009)	(56,641)
Taxation benefits/(expense)																	5,518	(1,391)
Loss for the period																	(37,491)	(58,032)

The Group's operations of the development of LNG businesses including the sales and distribution of LNG, provision of LNG logistic services, provision of finance leasing services for LNG vehicles, vessels and equipment, provision of LNG in the midstream and downstream market and provision of commercial vehicle platform services are located in the PRC and the remaining operations are located in Hong Kong during both six months ended 30 September 2020 and 30 September 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. LOSS BEFORE TAXATION

	Six months ended 30 September 2020 (Unaudited) HK\$'000	Six months ended 30 September 2019 (Unaudited) HK\$'000
Loss before taxation has been arrived at after charging/ (crediting):		
(a) Finance costs		
Interest expense on loans from a shareholder	12,090	12,954
Interest on bank loans	1,522	1,467
Interest expense on loan from a third party	219	1,828
Interest expense on finance lease	1,968	1,140
Others	–	1,779
	15,799	19,168
(b) Other items		
Amortisation of land use rights	12,835	377
Amortisation of other intangible assets	461	202
Depreciation of plant and equipment	32,799	25,037
Loss on disposal of plant and equipment	563	2,920
Staff costs:		
Directors' remuneration	135	380
Staff cost excluding directors' remuneration	64,155	68,670
Retirement benefits scheme contribution, excluding those included in directors' remuneration	1,444	8,218
Total staff costs	65,734	77,268
Interest income on bank deposits	(300)	(160)
Loss/(Gain) on disposal of subsidiaries	564	(3,383)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. TAXATION

	Six months ended 30 September 2020 (Unaudited) HK\$'000	Six months ended 30 September 2019 (Unaudited) HK\$'000
Hong Kong Profits Tax (benefit)/expense	(4,440)	1,416
PRC Enterprise Income Tax (benefit)	(1,078)	(25)
	(5,518)	1,391

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the period.

The PRC Corporate Income Tax has not been provided as the Group did not generate any assessable profits in PRC during the period.

8. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2020 and 30 September 2019.

9. LOSS PER SHARE

The weighted average number of Shares for (loss)/earnings per Share calculation represents the average number of Shares in issue during the current and preceding periods.

There was no dilutive instrument at the end of the current period and during the preceding period. Therefore, the diluted loss per Share is same as basic loss per Share during the current and Preceding period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LOSS PER SHARE (continued)

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

	Six months ended 30 September 2020 (Unaudited) HK\$'000	Six months ended 30 September 2019 (Unaudited) HK\$'000
(Loss) for the period attributable to equity shareholders of the Company	(35,543)	(65,208)
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of calculation of both basic and diluted loss per Share	5,643,797,090	5,643,797,090

10. PLANT AND EQUIPMENT

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
At the beginning of the period/year	470,054	613,703
Additions	33,212	125,415
Disposal of subsidiaries (note 21)	–	(24,561)
Depreciation	(32,799)	(49,465)
Disposals	(13,304)	(138,374)
Impairment	–	(21,864)
Exchange adjustments	18,660	(34,800)
At end of the period/year	475,823	470,054

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. RECEIVABLES UNDER LNG FINANCE LEASE ARRANGEMENTS

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

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within one year	18,252	23,343
In the second to fifth years, inclusive	-	-
	18,252	23,343
Less: Impairment	(15,568)	(17,001)
Plus: Reversal of impairment	-	-
	2,684	6,342
Less: Portion classified as current assets	(2,684)	(6,342)
Non-current portion	-	-

The Group entered into finance lease arrangements pursuant to which the lessees sold their vehicles and vessels to the Group and leased back the assets with lease period ranging from 1.5 years to 5 years (31 March 2020: 1.5 year to 5 years) from the date of inception. The ownership of leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and the interest accrued under the finance lease arrangements. The lessees retain control of the assets before and after entering into the arrangements.

At 30 September 2020, the effective interest rates applicable to the finance lease arrangements ranged from approximately 9.24% to 12.36% per annum (31 March 2020: 9.24% to 12.46%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

12. LNG FINANCE LEASE RECEIVABLES

	Minimum lease payments 30 September 2020 (Unaudited) HK\$'000	Minimum lease payments 31 March 2020 (Audited) HK\$'000	Present value of minimum lease payments 30 September 2020 (Unaudited) HK\$'000	Present value of minimum lease payments 31 March 2020 (Audited) HK\$'000
Within one year	39,222	38,007	34,507	33,588
In the second to fifth years, inclusive	-	-	-	-
	39,222	38,007	34,507	33,588
Less: Unearned finance income	(4,715)	(4,419)		
Present value of minimum lease payment receivables	34,507	33,588		
Less: Impairment	(28,239)	(27,120)	(28,239)	(27,120)
Plus: Reversal of impairment	-	-		
	6,268	6,468		
Less: Portion classified as current assets			(6,268)	(6,468)
Non-current portion			-	-



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. LNG FINANCE LEASE RECEIVABLES *(continued)*

The Group entered into finance lease contracts pursuant to which the Group purchased new vehicles or equipment from third party manufacturers or distributors of its choice or of the lessees' choice and leased the assets to the lessees with lease period ranging from 2 years to 5 years (31 March 2020: 2 years to 5 years) from the date of inception. The ownership of the leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and the interest accrued under the finance lease contracts. The lessees retain control of the assets after entering into the contracts.

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

At 30 September 2020, the effective interest rates applicable to the finance lease ranged from approximately 9% to 12.65% per annum (31 March 2020: 9% to 12.65%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. LOAN RECEIVABLES

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Loan receivables	218,534	167,115
Less: Impairment	(102,066)	(64,237)
	116,468	102,878

The Group seeks to maintain strict control over its outstanding loan receivables so as to minimise credit risk. The granting of loans is subject to approval by the management, whilst overdue balances are reviewed regularly by the management. Loan receivables are charged on effective interest rate mutually agreed with the contracting parties, at a fixed rate of 1% to 4.625% per annum (31 March 2020: 1% to 18%).

During the period, HK\$50,138,000 was reclassified from Accounts receivables arising from dealing in securities– margin clients to loan receivables, together with impairment loss of HK\$40,116,000, due to the cease of securities brokerage business.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. ACCOUNTS AND OTHER RECEIVABLES

	Notes	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Accounts receivables arising from dealing in securities	(a)		
Cash clients		–	317
Margin clients		–	52,757
Less: Impairment		–	(42,613)
		–	10,144
Hong Kong Securities Clearing Company Limited		–	277
Accounts receivables arising from LNG businesses	(b)	75,151	75,051
Less: Impairment		(19,059)	(19,059)
		56,092	55,992
Total accounts receivables		56,092	66,730
Prepayments, deposits and other receivables		152,894	158,302
Loan to a third party	(c)	2,000	1,758
Value-added tax recoverable		58,357	57,830
Total accounts and other receivables		269,343	284,620

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. ACCOUNTS AND OTHER RECEIVABLES *(continued)*

Note:

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

As at 30 September 2020, the accounts receivable from margin clients was none (31 March 2020: HK\$10,144,000).

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

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within 3 months	33,556	31,976
4 to 6 months	3,195	17,608
Over 6 months	19,341	6,408
	56,092	55,992

- (c) At 30 September 2020, the loan was unsecured, interest-bearing at 8% per annum and repayable on demand (31 March 2020: 8%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. ACCOUNTS AND OTHER PAYABLES

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Accounts payables arising from dealing in securities		
Cash clients	–	1,343
Margin clients	–	156
Accounts payables arising from LNG businesses	(a) 67,072	85,232
Total accounts payables	67,072	86,731
Accrued charges and other payables	167,819	81,716
Contract liabilities	23,134	50,736
Guaranteed deposits on LNG finance leases and finance leases arrangements	7,465	7,971
Loans from a shareholder	(b) 469,681	468,781
Interest payable on loans from a shareholder	(b) 51,676	39,417
Loan from a third party	(c) 1,996	1,966
Payable for the right to acquire property, plant and equipment	285,285	285,285
	1,074,128	1,022,603
Non-current portion of loans from a shareholder	(469,681)	(468,781)
Current portion	604,447	553,822

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. ACCOUNTS AND OTHER PAYABLES (continued)

Notes:

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

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Within three months	26,778	56,848
4 to 6 months	12,732	26,156
over 6 months	27,562	2,228
	67,072	85,232

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

- (b) The unsecured loans from a shareholder, Dr. Kan comprised of (i) approximately HK\$446,941,000 is interest-bearing at 5% and repayable on demand; and (ii) approximately HK\$22,740,000 is interest-bearing at 8%. The loans are unsecured and repayable on demand. During the period, Dr. Kan agreed not to demand repayment to these loans until 30 September 2021. Balance of HK\$51,676,000 (31 March 2020: HK\$39,417,000) represents interest on the loans from the shareholder.
- (c) The loan is unsecured, repayable within one year and interest-bearing at 8% (31 March 2020: 8%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. INTEREST-BEARING BANK BORROWINGS

	30 September 2020 (Unaudited) HK\$'000	31 March 2020 (Audited) HK\$'000
Bank borrowings	60,261	63,336

17. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period.

	Minimum lease payments		Present value of the minimum lease payments	
	30 September 2020 HK\$'000	31 March 2020 HK\$'000	30 September 2020 HK\$'000	31 March 2020 HK\$'000
Within 1 year	41,365	38,295	38,254	33,046
More than one year	40,849	50,064	39,586	46,471
Total minimum finance lease payments	82,214	88,359	77,840	79,517
Future finance charges	(4,374)	(8,842)		
Present value of lease obligations	77,840	79,517		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE CAPITAL

	30 September 2020 HK'000	31 March 2020 HK'000
Issued and fully paid:		
5,643,797,090 (31 March 2020: 5,643,797,090) ordinary shares	112,876	112,876

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

	Notes	Number of shares in issues HK'000	Share Capital HK'000	Share premium HK'000	Total HK'000
At 1 January 2018		5,616,123,090	112,322	401,279	513,601
Conversion of convertible notes	(a)	27,674,000	554	33,106	33,660
At 31 March 2019, 31 March 2020 and 30 September 2020		5,643,797,090	112,876	434,385	547,261

Notes:

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. SHARE OPTION SCHEME *(continued)*

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).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. SHARE OPTION SCHEME (continued)

- (a) A summary of the movements in share options under the Share Option Scheme during the period ended 30 September 2020 is as follows:

	Date of grant	Exercise period	Exercise Price	Number of share options					
				Granted during the Year	Cancelled during the year	Outstanding at 31 March 2020	Granted during the period	Cancelled during the period	Outstanding at 30 September 2020
Director	31 December 2019	31 December 2021 to 31 December 2029	HK\$0.53	2,412,000	(720,000)	1,692,000	—	—	1,692,000
		31 December 2022 to 31 December 2029	HK\$0.53	2,412,000	(720,000)	1,692,000	—	—	1,692,000
		31 December 2023 to 31 December 2029	HK\$0.53	3,216,000	(960,000)	2,256,000	—	—	2,256,000
Employees	31 December 2019	31 December 2021 to 31 December 2029	HK\$0.53	7,200,000	—	7,200,000	—	(1,200,000)	6,000,000
		31 December 2022 to 31 December 2029	HK\$0.53	7,200,000	—	7,200,000	—	(1,200,000)	6,000,000
		31 December 2023 to 31 December 2029	HK\$0.53	9,600,000	—	9,600,000	—	(1,600,000)	8,000,000
		31 December 2029							
Employees	15 April 2020	15 April 2022 to 15 April 2030	HK\$0.248	—	—	—	1,200,000	—	1,200,000
		15 April 2023 to 15 April 2030	HK\$0.248	—	—	—	1,200,000	—	1,200,000
		15 April 2024 to 15 April 2030	HK\$0.248	—	—	—	1,600,000	—	1,600,000
				<u>32,040,000</u>	<u>(2,400,000)</u>	<u>29,640,000</u>	<u>4,000,000</u>	<u>(4,000,000)</u>	<u>29,640,000</u>
Weighted average exercise price				<u>HK\$0.53</u>	<u>HK\$0.53</u>	<u>HK\$0.53</u>	<u>HK\$0.248</u>	<u>HK\$0.53</u>	<u>HK\$0.49</u>

The share options outstanding as at 30 September 2020 have a weighted average remaining contractual life of 8.01 years (31 March 2020: 9.76 years).

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. SHARE OPTION SCHEME *(continued)*

(b) Fair value of share options granted

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.

	Period ended 30 September 2020	Year ended 31 March 2020
Share price (HK\$)	0.248	0.53
Exercise price (HK\$)	0.248	0.53
Expected volatility (%)	68.074	69.113
Expected dividend yield (%)	0	0
Risk-free interest rate (%)	0.634	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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. ACQUISITION OF SUBSIDIARIES

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. ACQUISITION OF SUBSIDIARIES *(continued)*

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. ACQUISITION OF SUBSIDIARIES *(continued)*

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

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

21. 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 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 and Gangsheng New Energy has ceased to be a subsidiary of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. DISPOSAL OF SUBSIDIARIES (continued)

(a) (continued)

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. DISPOSAL OF SUBSIDIARIES *(continued)*

- (b) On 30 July 2019, 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 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 and Puyang Green Dynamic has ceased to be a subsidiary of the Group.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. DISPOSAL OF SUBSIDIARIES (continued)

(b) (continued)

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

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

(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 sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Henan Xinhemei has conditionally agreed to purchase 51% equity interests in Henan Jingang Energy Co., Ltd.* (河南金港能源有限公司) ("Henan Jingang") at a consideration of RMB700,000.

After the completion of the disposal for the 51% interest in Henan Jiangang on 30 July 2019 and Henan Jingang has ceased to be a subsidiary of the Group.

	<i>HK'000</i>
Cash and bank balances	1,102
Non-controlling interest	(540)
Gain on disposal of a subsidiary	<u>209</u>
	<u><u>771</u></u>
Satisfied by:	
Cash consideration	<u><u>771</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. DISPOSAL OF SUBSIDIARIES *(continued)*

(c) *(continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of Henan Jingang during previous year was as follows:

Cash consideration	771
Cash and cash equivalents disposed of	<u>(1,102)</u>
Net outflow of cash and cash equivalents in respect of the disposal of Henan Jingang	<u><u>(331)</u></u>

(d) On 1 July 2020, 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 Xi'an Sisheng Energy Technology Co., Ltd. (西安思晟能源技術有限公司) ("Sisheng Energy") entered into sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Sisheng Energy has conditionally agreed to purchase 51% equity interests in Shannxi Gangneng Natural Gas Co., Ltd. (陝西港能天然氣有限公司) ("Shannxi Gangneng Natural Gas") at a consideration of RMB149,890. Completion of the share transfer took place on 6 August 2020 and Shannxi Gangneng Natural Gas has ceased to be a subsidiary of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. DISPOSAL OF SUBSIDIARIES *(continued)*

(d) *(continued)*

	<i>HK'000</i>
Deposits and other receivables	843
Cash and bank balances	1
Accounts and other payables	(114)
	<u>730</u>
Loss on disposal of a subsidiary	(564)
	<u>166</u>
Satisfied by:	
Cash consideration	<u>166</u>
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Shannxi Gangneng Natural Gas during the period was as follows:	
Cash consideration	166
Cash and cash equivalents disposed of	(1)
Net inflow of cash and cash equivalents in respect of the disposal of Shannxi Gangneng Natural Gas	<u>165</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

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

For acquisition of 40% interests of Hubei Gangshun

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(a) *(continued)*

For acquisition of 35% interests of Hubei Dezhong

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(b) *(continued)*

For acquisition of 1% interests of Ningbo Gangfu

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

For acquisition of 7% interests of Hebei Gangzhong

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

For acquisition of 40% interests of Shandong Aohai

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 September 2020 (Unaudited) HK'000	31 September 2019 (Unaudited) HK'000
Service fee income from a related company owned by an executive Director and the substantial shareholder	–	93
Interest expense on loans from an executive director and the substantial shareholder	12,090	14,735

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 (31 March 2020: HK\$800,000,000) to the Company by Dr. Kan. At 30 September 2020, this facility had been utilised to the extent of HK\$469,681,000 (31 March 2020: HK\$468,781,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. RELATED PARTY TRANSACTIONS *(continued)*

- (c) Compensation of key management personnel

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

	Six months ended	
	30 September 2020 (Unaudited) HK'000	31 September 2019 (Unaudited) HK'000
Shor-term benefits	6,119	10,869
Post-employment benefits	554	2,548
Share-based payments	1,336	–
	8,009	13,417

24. COMMITMENTS

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

	Period ended 30 September 2020 (Unaudited) HK'000	Year ended 31 March 2020 (Audited) HK'000
Contracted but not provided for		
Plant and machinery	330,824	317,731
Capital contribution to subsidiaries	–	4,573
	330,824	322,304

BUSINESS REVIEW

The Group aims to “address the persistent problem of air pollution and improve the environment” and is committed to promoting the application of clean energy – natural gas in the PRC. The Group has launched a complete industry chain of liquefied natural gas (LNG) by establishing upstream LNG sources, midstream logistics, downstream end-users and clean energy centers. It interprets a new business model of a LNG company by integration the production, supply, storage, sales and transportation of liquefied natural gas (LNG) market, and has become a package solution provider of regional gas utilization with national influence. In recent years, the business scope of the Group includes investment and construction in the following areas across the country: LNG peak regulation reserve stations, Dewar bottle filling stations, township gasification, LNG oil-and-gas stations, as well as LNG tanks, tank trucks, logistics, trade, financial leasing and other fields related to LNG.

In response to the national strategy of “building the Guangdong-Hong Kong-Macau Greater Bay Area” advocated by President Xi Jinping, the Group adjusted its strategic planning in due course. After conducting a comprehensive understanding as well as analysis and investigation on the basic conditions, geographical advantages, transportation conditions, investment environment, industrial policies, and headquarters economy support policies of the cities in the Greater Bay Area, the Group has moved its mainland headquarters from Shanghai to Zhuhai, a core city of Guangdong-Hong Kong-Macau Greater Bay Area, in May 2020.

Benefiting from the stable development of China’s macroeconomy, as well as the guidance of national strategies of “high-quality development is a crucial goal of China’s natural gas industry during the 14th Five-Year Plan period” and “intensifying efforts to promote the development of the natural gas industry is China’s current important strategic policy”, the domestic natural gas market has been unprecedentedly prosperous. The Group has rapidly developed by seizing opportunities in this wave.



MANAGEMENT DISCUSSION AND ANALYSIS

In respect of the Group's LNG logistics segment, the Company owned a LNG fleet of 275 tank trucks and 1,275 LNG tank containers, combining with the tank-container multimodal transportation system, to achieve the integration of gas source, logistics and terminals, build large-scale storage plants, distribution bases and clean energy supply centers in the four major regions of north, south, east and northwest China while actively promoting the reform of LNG transportation. The Company also strived to create an environmental-friendly, safe and convenient logistics and trading system with the aggregate amount of logistics and trading system integration and LNG transportation capacity ranking the first. From 1 April to 30 September 2020, outstanding performance was achieved as the transportation volume of LNG delivered by the Group's own logistics fleet has reached 154,024,085 tonne-kilometers, representing an increase of 247% as compared with the corresponding period of last year, achieving operating income of HK\$102,870,000 with a 6-month gross profit margin of 14.9%.

In the field of natural gas terminal utilization, the business has expanded to 17 provinces and cities across the country, serving over 300 terminal users, forming a "five-in-one" terminal business pattern of industrial gasification stations, peak reserve modulation centers, Dewar bottle filling stations, gas-filling stations, and heating and decentralized energy, together with our regional gas pipeline network, the Company is truly a package solution provider for regional gas utilization. The "two stations and one storage" located in Huanggang area of Hubei Province have completed construction and commenced production in October 2019. Of which, the Huanggang reserving bank, Guanshan gas station and Nanhu gas station were completed in November 2018, April 2019 and October 2019, respectively. Due to the advantageous location of the Nanhu gas station, its traffic volume was large. For the six months ended 30 September 2020, it reached a single-day refueling volume of up to 30 tons and a single-day turnover of up to HK\$139,595, showcasing a larger room for future improvement.



MANAGEMENT DISCUSSION AND ANALYSIS

In the field of investment, with the expansion of the national natural gas market demand, the demand for coal-to-gas, vehicle-to-gas, and ship-to-gas conversion correspondingly expanded. The Group will increase investment in energy centers in the entire region of Hubei, Hunan, Guangdong, Guangxi and Jiangxi in the coming three years, and has obtained franchise rights in multiple regions. In 2020, the Group will fully finalize the five projects in progress, namely Guangshui City Clean Energy Comprehensive Utilization Project, Jingdezhen Clean Energy Comprehensive Utilization Project, Huanggang Reverse Transmission Project, Lu'an Branch Intersection Clean Energy Center Project, and Guzhen Town Clean Energy Center Project. The Group also intends to complete pipeline laying in areas where the franchise has been obtained within 2-3 years, and connect gas to more than 300,000 rural households, benefiting over 2 million people.

At present, China LNG Group has become a renowned enterprise in the industry with strong supply capacity, high service quality, favourable user reputation, and obvious resource advantages.

For the six months ended 30 September 2020, the LNG business of the Group still recorded losses, yet it was significantly better as compared with the corresponding period, which is attributable to:

1. In the first half of 2020, being 1 April 2020 to 30 September 2020, the period was not a heating season. It was a traditional low season for the LNG industry and the market supply and demand was relatively eased. During the epidemic, the logistics industry was severely affected, logistics vehicles were unable to operate normally at the beginning of the first half of the year. In a few months after, the epidemic situation has improved, the logistics market recovered significantly, and freight rates had as well shown favourable momentum. Both logistics business and terminal projects recorded profits.



MANAGEMENT DISCUSSION AND ANALYSIS

2. The Group invested in the establishment of point-to-point supply for end users in the previous period. Impacted by the domestic epidemic and a slowdown in China's economy, the end-user LNG demand of some point-to-point supply decreased and suspended. The decrease in sales of point-to-point supply for end users resulted in the increase in unit management cost and unit operating cost of end-user companies. In other words, businesses of multiple companies under the Group were in an integrated state, while fixed costs and some related expenses were still incurring.
3. Due to the relatively large scale of the Group, the gross profit generated from the improvement in logistics and terminal business in the first half of the year as well as the strengthening of the Group's management was yet to cover the cost of the entire group.
4. The Group insisted on taking the in-depth development of LNG market segment as the basis. It actively developed the three-in-one (including Dewar bottle filling, township or regional franchise and peaking reserve (connected to high pressure pipeline network)) regional energy supply center projects and LNG refilling station projects. The construction of Nanhu LNG refilling station in Hubei, Huanggang LNG peaking reserve and Dewar bottle filling station (phase I) and Huanggang Sinopec Guanshan LNG refilling station were completed and put into trial operation. Meanwhile, land purchases for the Lu'an Fenglukou peaking reserve project in Anhui, Chengde peaking reserve project and Guangchang clean energy supply center project in Jiangxi were completed, and the construction of the city gas pipeline network of Lu'an Guzhen Industrial Park, the city gas pipeline network of Chengde Liugou Industrial Park, the township gas pipeline network under the Yu'an District of Lu'an, the city gas pipeline network of Gaoyi Ceramic Industrial Park, Huanggang LNG peaking reserve and connection line project of the Hubei natural gas high pressure gas pipeline network were underway and large amount of funds had been invested at the early stage. At the same time, market research and development in certain areas of the mainland market were currently in progress, which also require corresponding expenses.

SALES AND DISTRIBUTION OF LNG

Point-to-point supply (point supply)

The Group rationally developed single point direct supply for industrial end-users and selectively developed industrial point supply projects to lower project investment risk and ensure the long-term sustainable and steady operation of the industrial single point direct supply projects. As of 30 September 2020, the Group obtained a point-to-point LNG supply volume of 18,196 tons (total volume of approximately 26,202,240 cubic metres) for industrial end-user projects and a revenue of approximately HK\$69,855,000.

Wholesale of LNG (trade)

As of 30 September 2020, the Group obtained a LNG wholesale volume of 37,149 tons (total volume was approximately 53,494,560 cubic metres), which was mainly derived from the supply of LNG trucks. The Group obtained revenues related to the wholesale of LNG of approximately HK\$116,762,000.

Distribution of LNG

As of 30 September 2020, the Group's fleet comprised 281 LNG refilling trucks and tail-lift trucks for transportation. The Group's fleet achieved a load/distance ratio of 146,798,000 tonne-kilometers, with an external transportation revenue of approximately HK\$100,170,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance leasing

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

As at 30 September 2020, receivables under LNG finance lease arrangements and LNG finance lease receivables were approximately HK\$2,684,000 and HK\$6,268,000 respectively. During the Period, the Group achieved finance income of approximately HK\$739,000 from finance leasing services for LNG vehicles, vessels and equipment.

Trading of securities

The Group conducts its trading of Hong Kong securities business through Key Fit Group Limited, and did not carry out any securities trading for the six months ended 30 September 2020.

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 business on 1 April 2020. Type 1 license was returned to the Securities and Future Commission of Hong Kong ("**SFC**").

Financial service

The Group conducts its financial services operation through its money lending business under the Money Lenders Ordinance in Hong Kong. For the six months ended 30 September 2020, all the loans granted under the money lending business of the Group were secured loans and were funded by internal resources. During the Period, the Group recorded interest income from money lending business of approximately HK\$1,286,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue decreased by approximately 71.7% from approximately HK\$1,024,666,000 for the six months period ended 30 September 2019 to approximately HK\$289,500,000 for the Period. It was mainly due to the Group's business transformation, trade business transfer and terminal projects integration.

Revenue derived from provision of finance leasing services for LNG vehicles, vessels and equipment decreased by approximately 60.9% from approximately HK\$1,895,000 for the six months period ended 30 September 2019 to approximately HK\$740,000 for the Period because of no new lease was granted.

Revenue derived from sales and distribution of LNG including point-to-point supply of LNG and wholesale of LNG decreased by approximately 80.8% from approximately HK\$969,751,000 for the six months period ended 30 September 2019 to approximately HK\$186,617,000 for the Period because of the reduction in domestic LNG terminal business affected by the COVID-19 epidemic.

No revenue was derived from trading of securities for the Period, which was mainly due to the Group decided to concentrate on the LNG business in China.

No revenue was derived from provision of securities brokerage, bond placing, margin financing and securities investment business for the period as the Group has ceased the business of provision of securities brokerage and margin financing since 1 April 2020.

Revenue derived from the financial services through provision of money lending business decreased by approximately 85.1% from approximately HK\$8,644,000 for the six months period ended 30 September 2019 to approximately HK\$1,286,000 for the Period as no new loan had been granted to client.

Other income and gains

Other income and gains decreased by approximately 95% from approximately HK\$5,874,000 for the six months period ended 30 September 2019 to approximately HK\$295,000 for the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 56.2% from approximately HK\$11,054,000 for the six months period ended 30 September 2019 to approximately HK\$4,845,000 for the Period because of the reduction in travelling expenses, employee benefit expenses and entertainment expenses as a result of streamlining of staff during the six months ended 30 September 2020.

Administrative expenses

Administrative expenses decreased by approximately 24.9% from approximately HK\$70,415,000 for the six months period ended 30 September 2019 to approximately HK\$52,897,000 for the Period, which was mainly attributable to the reduction in staff costs and employee benefit expenses as well as travelling expenses of administrative and management employee due to the consolidation of business and streamlining of staff during the Period.

Finance costs

Finance costs for the Period decreased by 17.6% from approximately HK\$19,168,000 for the six months period ended 30 September 2019 to approximately HK\$15,799,000 for the Period.

Income tax benefit

Income tax benefit for the Period was approximately HK\$5,518,800 (for the six months period ended 30 September 2019: an expense of approximately HK\$1,391,000).

During the period, The Inland Revenue Department of Hong Kong has released an updated version of DIPN 42 which some of subsidiaries in Hong Kong have selected to be taxed at fair value basis from the assessment year 2019/2020 obtained a taxation benefit of HK\$5,518,000.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had total cash and bank balances of approximately HK\$35,578,000 as at 30 September 2020 (31 March 2020: approximately HK\$50,031,000). As at 30 September 2020, bank and other borrowings of the Group amounted to approximately HK\$60,261,000 (31 March 2020: HK\$63,336,000), obligation under finance lease of approximately HK\$77,840,000 (31 March 2020: HK\$79,517,000), loans from a shareholder of approximately HK\$469,681,000 (31 March 2020: HK\$468,781,000) and loan from a third party of approximately HK\$1,966,000 (31 March 2020: HK\$1,966,000). The bank borrowings bear interest rate at range of Loan Prime Rate plus derived 0.5% and People's Bank of China benchmark interest rate plus 3.15%. The Group's gearing ratio is calculated as net debt divided by total equity was 238% as at 30 September 2020 (31 March 2020: 218%). Net debt is calculated as bank and other borrowings less bank balances and cash. Net assets were approximately HK\$482,868,000 as at 30 September 2020 (31 March 2020: approximately HK\$512,669,000).

The Group recorded total current assets value of approximately HK\$439,521,000 as at 30 September 2020 (31 March 2020: approximately HK\$462,514,000) and total current liabilities value of approximately HK\$702,962,000 as at 30 September 2020 (31 March 2020: approximately HK\$654,142,000). The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was approximately 0.63 as at 30 September 2020 (31 March 2020: approximately 0.71).

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend (final dividend for the year ended 31 March 2020: Nil) for the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT

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

Foreign currency

Transactions of the Group were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the Period. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the period ended 30 September 2020, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

Credit risk

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

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

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

As to impairment and allowance policies, the Group assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. No impairment allowance was made for finance lease receivables, loan receivables, accounts and other receivables and other financial assets of the Group as at 30 September 2020.

Liquidity risk

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

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

- 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) ("**Henan Xinhemei**") entered into sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Henan Xinhemei has conditionally agreed to purchase 51% equity interests in Henan Jingang Energy Co., Ltd.* (河南金港能源有限公司) ("**Henan Jingang**") at a consideration of RMB700,000. Completion of the share transfer took place on 30 July 2019 and Henan Jingang ceased to be a subsidiary of the Group.
- 2) On 30 July 2019, 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 sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Qianzhu Energy has conditionally agreed to purchase 100% equity interests in Puyang Green Dynamic New Energy Co., Ltd.* (瀋陽綠動新能源有限公司) ("**Puyang Green Dynamic**") at a consideration of RMB16,380,000. Completion of the share transfer took place on 19 September 2019 and Puyang Green Dynamic has ceased to be a subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

- 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 sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and both Wang Yaojian and Zhao Zhizhong have conditionally agreed to purchase 51% equity interests in Zhejiang Gangsheng New Energy Technology Co., Ltd.* (浙江港盛新能源科技有限公司) (“**Gangsheng New Energy**”) at a total consideration of RMB180,000. Completion of the share transfer took place on 27 September 2019 and Gangsheng New Energy has ceased to be a subsidiary of the Group.
- 4) 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.
- 5) On 1 July 2020, 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 Xi’an Sisheng Energy Technology Co., Ltd. (西安思晟能源技術有限公司) (“**Sisheng Energy**”) entered into sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Sisheng Energy has conditionally agreed to purchase 51% equity interests in Shaanxi Gangneng Natural Gas Co., Ltd. (陝西港能天然氣有限公司) (“**Shaanxi Gangneng Natural Gas**”) at a consideration of RMB149,890. Completion of the share transfer took place on 6 August 2020 and Shaanxi Gangneng Natural Gas has ceased to be a subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

As at 30 September 2020, the total capital commitments by the Group amounted to approximately HK\$330,824,000 (31 March 2020: HK\$322,304,000) which were mainly made up of contracted/authorised commitments in respect of the acquisition of plant and machinery, capital contribution to subsidiaries and associates.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2020 (31 March 2020: Nil).

STAFF AND REMUNERATION POLICIES

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

As at 30 September 2020, the Group had 888 employees (31 March 2020: 878 employees), of whom 103 were administrative staff and operating staff; 526 were LNG truck driver; 150 were technical staff; 68 were managerial staff and the remaining 41 were marketing staff. The Group's total staff costs amounted to approximately HK\$65,734,000 (for the six months period ended 30 September 2019: approximately HK\$77,300,000) for the Period. The Group offers competitive remuneration packages to our employees. The Group remunerated its employees mainly based on the industry practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual's performance.

OTHER INFORMATION AND CORPORATE GOVERNANCE

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

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

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

As at 30 September 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:

Interest in the Company

Name of Director	Name of company in which interests were held		Nature of interests	Long position/ Short position		Approximate percentage of shareholding
					Number of Shares held	
Dr. Kan Che Kin, Billy Albert ("Dr. Kan")	The Company		Beneficial owner	Long position	3,525,733,139 Shares	62.47%
	The Company		Beneficial owner	Short position	169,543,940 Shares	3.00%
Mr. Li Kai Yien, Arthur Albert	The Company		Beneficial owner	Long position	200,000 Shares	0.00%
Mr. Simon Murray ("Mr. Murray")	The Company		Beneficial owner	Long position	5,000,000 Shares (<i>Note</i>)	0.09%
Dr. Lam, Lee G. ("Dr. Lam")	The Company		Beneficial owner	Long position	10,000,000 Shares (<i>Note</i>)	0.18%

Note:

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

OTHER INFORMATION AND CORPORATE GOVERNANCE

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

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

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2020.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2020, so far as was known to the Directors and chief executives of the Company, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 September 2020.

AUDIT COMMITTEE

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

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

OTHER INFORMATION AND CORPORATE GOVERNANCE

CORPORATE GOVERNANCE CODE

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

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

1. Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate. The positions of chairman and chief executive officer of the Company have been held by Dr. Kan during the Period. The Board believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. The Board has full confidence in Dr. Kan and believes that his dual roles will be beneficial to the Group.
2. Under the Code Provisions A.4.1 and A.4.2, non-executive Director should be appointed for a specific term and each Director should be subject to retirement by rotation at least once every three years. The existing independent non-executive Directors and non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association (the **"Articles of Association"**) of the Company at least once every three years.
3. Under the Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. One of the non-executive directors, Mr. Simon Murray was unable to attend the annual general meeting held on 27 August 2020. However, he subsequently requested the company secretary of the Company to report to him on the views of the Shareholders in the general meetings. As such, the Board considers that the development of a balanced understanding of the views of Shareholders among the non-executive Directors and independent non-executive Directors was ensured.



OTHER INFORMATION AND CORPORATE GOVERNANCE

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

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

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

Hong Kong, 27 November 2020