



# 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)

## 美麗鄉鎮 綠色先行

### BEAUTIFUL Country

### GREEN Come First



# 2023

## ANNUAL REPORT

# Contents

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Biographies of Directors and Senior Management	14
Corporate Governance Report	17
Directors' Report	30
Environmental, Social and Governance Report	39
Independent Auditor's Report	58
Consolidated Statement of Profit or Loss	63
Consolidated Statement of Comprehensive Income	64
Consolidated Statement of Financial Position	65
Consolidated Statement of Changes in Equity	67
Consolidated Statement of Cash Flows	68
Notes to the Consolidated Financial Statements	70
Financial Summary	146



# 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.  
Mr. Xiao Cong (*appointed on 23 May 2022*)

### Independent Non-Executive Directors

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

## 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

Ms. Chan Mui

## AUTHORISED REPRESENTATIVES

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

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

8th Floor, St. John's Building  
33 Garden Road  
Central, Hong Kong

## SHARE REGISTRARS

*Principal Share Registrar and Transfer Office*  
Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3, Building D  
P.O. Box 1586  
Gardenia Court, Camana Bay  
KY1-1110, Grand Cayman, Cayman Islands

*Hong Kong Branch Share Registrar and Transfer Office*  
Tricor Standard Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## PRINCIPAL BANKERS

Agricultural Development Bank of China Limited  
Bank of China Limited  
China Construction Bank Corporation Limited  
Hang Seng Bank Limited  
Hankou Bank Company Limited

## AUDITOR

McMillan Woods (Hong Kong) CPA Limited  
(*appointed on 6 February 2023*)  
PKF Hong Kong Limited (*resigned on 6 February 2023*)

## WEBSITE

<https://chinalng.todayir.com>

## STOCK CODE

Hong Kong Stock Exchange: 931

# Chairman's Statement

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of China LNG Group Limited (the “**Company**”, or “**China LNG Group**”), together with its subsidiaries (the “**Group**”), I am pleased to present the annual report of the Company for the year ended 31 March 2023 (the “**Current Year**”).

The vision of China LNG Group is to grow into a full chain ecological protection and environmental improvement solution provider with the goal of sustainable development, supported by characteristic industry operations carried by the regional comprehensive development, cooperating with CNOOC and SINOPEC in the operation, uniting with local governments on the promotion of regional comprehensive development for the industrial chain extension.

China LNG Group is an innovative and public-spirited clean energy company that operates in the development of six-in-one end-user LNG business including industrial gasification stations, LNG logistics storage and peak shaving centers, dewar bottle filling stations, energy refilling stations for automobiles and ships, regional gas pipeline networks that mainly provide pipeline gas for rural industrial, commercial and residential users in addition to the supplement any supply to national natural gas pipeline networks.

2022 was turbulent for the global economy, the adverse impact brought by domestic China Covid restrictions, Russia-Ukraine war, persistently high inflation, tightening monetary policies and supply-chain disruption have caused shock waves across the world. Notwithstanding the challenging landscape, the Company and its joint ventures were able to tap on strategic opportunities to navigate through the adversities of the past year to form the basis for the Company for sustainable development that will be able to realize in 2023 and afterward. After the gradual makeover, the key business area of the Company shifted from wholesale to focus on end-users with well-equipped LNG storage facilities, positioning the Company to capture the increasing demand from the resumption of tourism, catering, road-freight vehicles, as well as ceramic crafts, municipal construction and manufacturing sectors.

The lifting of travel restrictions and the reopening of borders worldwide as well as the backdrop of LNG prices recently, has improved the operating environment. The Company took its first step to diversify into developed markets with the connection of the provincial nationwide pipeline networks in Huanggan in March 2023, this brings the Company's portfolio closing on its goal to increase its portfolio size to enhance diversification. CNOOC (together with its subsidiaries, the “**CNOOC Group**”), a principal joint venture of the Company supported us with stable gas sources at preferential prices, with its robust and diversified businesses across the oil and gas segments, providing an ideal platform for the Company to seize the economic recovery opportunities and achieve higher growth. The reinforced collaboration between CNOOC Group and the company further strengthened the Company's end-user-based business, along with the Company's connection with the provincial nationwide pipeline networks, signifies a significant milestone in pursuit of building a green business ecosystem anchored on clean energy practices to drive regional growth, embarked on the Company's next phase of growth to become the premier clean energy operator in the PRC.

## REVIEW

The LNG retail and LNG logistics businesses of the Company continued to be affected by the COVID restrictive measures in the first few months of Current Year, in the meanwhile, the operating environment of the end-users is business, particularly the manufacturing, as a whole continues characterized by fierce competition, manpower shortages, uncertain economic outlook and high operating costs.

The ongoing challenges in the market environments of 2023, features with extremely volatile global energy markets. The Company recorded a monetary loss of approximately HK\$60.8 million for the Current Year, compared to that of approximately HK\$96.6 million for last year, representing an improvement of 37%. The monetary loss is calculated by the reported loss adding back non-cash items including depreciation and amortization, share-based payments, provisions and foreign exchange adjustments. The non-monetary expenses of the Company increased 16.7% to HK\$120.2 million for the Current Year from HK\$103 million for 2022, however, the overall loss for the year of approximately HK\$181 million is improved 9.5% compared with that of approximately HK\$200 million for last year. The Company would closely monitor its operations and the market situation, the Company is still confident in the long-term prospects of the LNG businesses.

# Chairman's Statement

## LOOKING AHEAD

With development of the economy and rise in living standards, people are more willing to pay for clean air and clean water for good of the ecological environment, increasing the demand for high-quality energy services in respect of reliable and flexible supply, which is a main trend in the global and domestic energy development. The Chinese government has also unswervingly promotes the development of high-quality energy through macro-control policies to accelerate the mark price ecosystem and strengthen the supervision environment.

The Company has established sizeable customer resources and business networks with a solid foundation in the PRC in recent years, we will continue to focus on the end-user market as core business, accelerate the application of clean energy in large-scale industrial parks and extend businesses to release the hidden value in the principal businesses and create synergy. The Company is well positioned in the business area to take advantage of the LNG price fallback for considerable growth opportunities in its footprint as navigated an uncertain external environment. The Company would continue to navigate new challenges and would exercise prudence and maximize opportunities to create value for all our stakeholders.

Looking ahead, China LNG Group will continue to explore the connotation and value of clean energy while devoting greater efforts to cultivating LNG supply and commercial operations. The Company will integrate the advantages of powerful capital, resources, technology and operations to cooperate with local government departments to launch an RMB20 billion rural revitalization gas to the countryside (EOD) pilot project, accelerate the rural ecological environment governance in order to build a full-fledged infrastructure and service system to empower a better healthy living ecosystem in old districts of the countryside, and promote the gasification of the Yangtze River, carbon sink trading, and promote high-quality development of the cities.

## APPRECIATION

The Board will continue to ensure an appropriate balance of opportunity and risk, acting in the best interests of all shareholders. I am confident that the Company will continue to create long-term, sustainable value for stakeholders in 2023 and beyond. Last but not least, I would like to express my heartfelt appreciation to our shareholders, fellow Directors, management and all staff for their contributions and continued support, especially during these challenging times.

**Kan Che Kin, Billy Albert**

*Chairman*

Hong Kong, 30 June 2023

# Management Discussion and Analysis

## INDUSTRY OVERVIEW

Russia's invasion of Ukraine in February 2022 upended global liquefied natural gas (“LNG”) markets, as Russia slashed pipeline gas shipments to the European Union, red-hot demand from Europe drove global LNG spot prices to record levels, and squeezed the volumes available to developing countries. The prolonged high LNG prices have encouraged China to rely more heavily on lower-cost imports and domestic natural gas production, over 2021 and 2022, China closed long-term LNG purchasing contracts nearly 50 million tons a year, tripling purchases through long-term contracts in two years, up from the annual volume of roughly 16 million tons from 2015 to 2020. China has also ramped up the construction of LNG infrastructure in recent years, including receiving terminals and storage facilities, as a priority of the government's coal-to-gas policy.

LNG prices are returning to manageable levels since April 2023, in the meanwhile, additional measures adopted by the central and local government have driven the economy continues to recover and the business momentum to pick up, which creates stable growth in the demand for LNG in downstream manufacturing. Climate and energy initiatives will cause LNG demand growth, it is anticipated that the robust demand are likely to keep global LNG prices structurally elevated, nevertheless, China's growing portfolio of LNG contracts means that Chinese LNG demand is likely to be more resilient and less affected by spot market pricing and volatility than before.

LNG prices have played a vital role in the business of the Company, in the context of energy prices, the strategy of having stable gas sources becomes increasingly important. The Company established gas source storage centers to enhance the flexibility of gas sources through LNG receiving and gasification centers in Huanggan, Guangshui, Jingdezhen and Luan energy centers. Along with the strategic cooperation with CNOOC Group to strengthen unified gas source procurement under the Offshore-Gas Hassle-Free price policy of CNOOC to provide the energy centers with high quality LNG at prices that compare more favorably with the market, the Company is able to ensure the stable supply of high quality natural gas for end-users and bring abundant sales capacity for the Company.

Apart from the supply of natural gas and construction of natural gas facilities, with the goal of green and low-carbon development, the Company continued to strengthen safe production and strived to improve efficiency and cost reduction, endeavored to push forward the completion of key projects. From this, the Company has made progress in the transformation of the key business from wholesale market to end-user market towards its development, thereby undertake to improve the gross profit of its LNG business.

## BUSINESS REVIEW

The Company is principally engaged in (i) the sales and distribution of LNG in the People's Republic of China (the “PRC”), including the point-to-point supply of LNG through industrial gasification stations, dewar bottle filling stations and automobile gas stations, the regional gas pipeline networks that provide pipeline natural gas for rural industrial, commercial and civilian, the supplement supply to the national natural gas pipeline networks and the distribution of LNG (logistic) services; and (ii) financial services business, including the provision of finance leasing services for LNG vehicles and equipment as approved by Chinese Ministry of Foreign Trade and Economic Cooperation, Type 9 (asset management) regulated activities with the licences issued by the Securities and Futures Commission (“SFC”) under the Securities and Futures Ordinance (“SFO”) and money lending business through a valid money lenders licence under the Money Lenders Ordinance in Hong Kong.

# Management Discussion and Analysis

## SALES AND DISTRIBUTION OF LNG

### Point-to-point Supply of LNG (retail)

The point-to-point supply of LNG (retail) transmits LNG from energy centers to end-users including residential users, industrial and commercial enterprises and automobile drivers by way of gas stations, pipeline networks and dewar bottles to meet their regular energy needs.

As of 31 March 2023, the Company recorded a LNG retail volume of 12,843 tons (2022: 21,497 tons), the income generated from point-to-point supply of LNG (retail) business amounted approximately HK\$113,166,000 (2022: HK\$138,786,000), contribute 53.4% to the total revenue of the Company for the Current Year.

### Wholesale of LNG (trade)

During the year, the Company has made progress in the transformation of the key business from wholesale market to end-user market towards its development. As of 31 March 2023, the Company recorded a LNG trade volume of 3,744 tons (2022: 39,295 tons), the income generated from wholesale of LNG (trade) business amounted approximately HK\$26,360,000 (2022: HK\$176,253,000), contribute 12.4% to the total revenue of the Company for the Current Year.

### Distribution of LNG (logistics)

Equipped with a great number of natural gas transportation trucks and LNG mobile storage containers that are specially made for the distribution of LNG, the delivery fleets of the Company provide road freight transportation services for external clients and for the Group companies, one of the Company's logistics fleets was named national-grade 4A hazardous chemicals logistics company during the year. The distribution delivery fleets enable the Company to distribute LNG from upstream suppliers to energy centers in a safe and fast way at low costs, in other turn, the trucks refill LNG energy from the Company's gas stations, which forms a closing loop ecosystem of the supply chain within the Company.

As of 31 March 2023, the Company's LNG distributional equipment comprise 160 LNG tank trucks, 189 tractor trucks, 70 tall-lift trucks and 8 other functional trucks. The delivery fleets transmitted a total of 119,399,000 ton-kilometers (2022: 207,511,000 ton-kilometers) among which 17.5% were delivered for the Group companies, the income generated from distribution of LNG (logistics) business amounted approximately HK\$72,267,000 (2022: HK\$116,893,000), contribute 34.1% to the total revenue of the Company for the Current Year.

### LNG Pipeline Network

The gas pipeline networks of the Company transmits LNG from the energy centers to residential users, industrial and commercial enterprises through interconnected pipeline, leveraged by the well-equipped gasification and booster facilities, to improve the rural country infrastructures and residential living conditions, responsible for the guarantee of the emergency supply and strengthening the gas storage and peak shaving capacity for the Hubei province national pipeline network.

As of 31 March 2023, the Company held 34 effective LNG township franchise rights granted by the PRC local governments in Hubei, Jiangxi and Anhui provinces, the franchise rights allow the Company to be the sole operator in the franchised zone in the supply of LNG. As of the year end date, the Company has received 6,040 applications from household users for LNG pipeline connection in Yangzhai, Changling, Chenxiang, Yudian, Caihe and Haodian in Guangshui City of Hubei province, managed possess to connect 3,728 household users. Income generated from the supply of LNG to residential users has been included in the point-to-point supply of LNG (retail) income for the Current Year.

# Management Discussion and Analysis

## Infrastructure Projects

The infrastructure projects of the Company aiming to promote the application of clean energy in the rural countryside. Equipped with comprehensive energy utilization facilities with qualifications and competencies, the energy centers operating LNG receiving and storage facilities, automatic dewar bottle filling platform, direct supply gasification stations, tank container storage yard and distribution facilities so as to connect supply networks to end-users. Infrastructure projects are essential to our success, the Company invested in the highly skilled workforce, hire third-party supervision, operate prudently and monitor construction progress continuously to make effective capital investments.

As at the year end date, the Company has completed and put into commercial operation of the infrastructure projects of Hubei Huanggang South East Hubei Reserve and Peak Shaving Center (“**Huanggang Energy Center**”), Hubei Huanggang Gasification Reverse Transmission Center (“**Huanggang Reverse Transmission**”), Hubei Guangshui Clean Energy Supply and Gasification Center (“**Guangshui Energy Center**”), Anhui Luan Clean Energy Supply and Gasification Center (“**Luan Energy Center**”), Jiangxi Jingdezhen Clean Energy Supply and Gasification Center (“**Jingdezhen Energy Center**”), Luan National Highway automobile Gas Station (“**Luan Gas Station**”) and Huanggang Nanhu Gas Station (“**Nanhu Gas Station**”).

The Company is also planning the infrastructure projects of Hunan Shaoyang Clean Energy Supply Center and Gasification and Township Project, Shanxi Fuping Clean Energy Logistic and Trading Project, Jiangxi Jingdezhen 206 National Highway Oil and Gas Station Project, Hubei Guangshui Yangzhai Gas Station and Changling Gas station.

## FINANCIAL SERVICES BUSINESS

The financial services businesses of the Company including: (i) the provision of finance leasing services typically for LNG vehicles and equipment that has been approved by the Chinese Ministry of Foreign Trade and Economic Cooperation; (ii) the provision of securities brokerage business, discretionary investment management and fund management services in Hong Kong through an indirect subsidiary of the Company namely China Hong Kong Capital Asset Management Company Limited (“**CHK CAM**”), which is licensed by the SFC to conduct Type 9 (asset management) regulated activities; and (iii) money lending business through an indirect subsidiary holding a valid money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws) of Hong Kong.

During the Current Year, the Company did not strive to the development if financial services business but endeavor in the core business of sales and distribution of LNG by implementing the changes under the most trouble time. Upon the request of CHK CAM, the commission of SFC had agreed to suspend the licence of the Company to carry out Type 1 regulated activities pursuant to section 195(1)(d) of the SFO, the Company has ceased the securities brokerage business, the unclaimed client cash and securities have been lodged to the High Court by CHK CAM on 14 June 2023.

## FINANCIAL REVIEW

### Revenue

For the Current Year, the Company recorded the revenue from operations in an amount of approximately HK\$211.9 million, compared to that of approximately HK\$432.5 million for the year ended 31 March 2022 (the “**Previous Year**”), representing a decrease of 51%. Following the energy centers gradually put into commercial operation, the Company shift the key business area from wholesale to higher margin retail business hence resulting in a significant decrease in the income from wholesale of LNG (trade) business and the overall revenue for the Current Year.



# Management Discussion and Analysis

Income from the point-to-point supply of LNG (retail) business was approximately HK\$113.2 million for the Current Year, compare to that of approximately HK\$138.7 million for the Previous Year, representing a slightly decrease of 18.5%. The decrease in retail income was mainly due to pandemic control measures in the PRC in the first few months of the Current Year which caused manufacturing to temporary production standstill, additionally, the unstable LNG prices lead to customer hesitation when choosing basic energy. Income generated from the point-to-point supply of LNG (retail) business comprises income from point-to-point supply LNG to industrial and commercial users, residential user consumption and relevant add-value services.

Income generated from the wholesale of LNG (trade) business was approximately HK\$26.3 million for the Current Year, compare to that of HK\$176.2 million for the Previous Year, representing a decrease of 85%. The decrease in trade income was mainly due to the shift of key business from wholesale market to end-user market towards the Company's development aiming to improve the gross profit of LNG business.

Income generated from the distribution of LNG (logistics) business was approximately HK\$72.3 million for the Current Year, compare to that of HK\$116.9 million for the Previous Year, representing a decrease of 38.2%. The decrease in logistics income was mainly due to the market competition and decreased demand in downstream.

Income from the financial services business was HK\$57,000 for the Current Year, compare to that of HK\$615,000 for the Previous Year. Financial services income primarily relates to interest income from money lending business.

## Gross (Loss) and Gross (Loss) Margin

Gross loss incurred due to the unstable LNG prices which led to a thin gross margin of the Company that could not cover the fixed costs, the Company is keen to maximize the economies of scale keep the effect of fixed costs on gross margin to an absolute minimum. The overall gross loss of the Company for the Current Year was approximately HK\$16.1 million compared to that of approximately HK\$34.1 million for the Previous Year, representing an improvement of 52.8%. The gross loss margin has improved slightly to 7.6% for the Current Year as compared to that of 7.9% for the Previous Year.

## Other Income and Other Gains and Losses

Other income and other gains and losses of the Company mainly comprise the net effect of loss on disposal of property, plant and equipment, gain from changes in fair value of financial assets at fair value through profit or loss, government subsidy and exchange gain. Other income and other gains and losses amounted to approximately HK\$1.2 million for the Current Year as compared to approximately HK\$7.8 million for the Previous Year. The decrease in other income was mainly due to the decrease in government subsidy and the gain on disposal of an associate and gain on financial assets through profit or loss earned in Previous Year.

## Selling and Distribution Expenses

The selling and distribution expenses of the Company mainly comprise salaries and benefits of sales and marketing staff, advertising and promotion expenses. Selling and distribution expenses for the Current Year decreased by 29.8% to approximately HK\$8.4 million as compared to that of approximately HK\$11.9 million for the Previous Year. The decrease was mainly due to the dismissal of employees in LNG wholesale (trade) and distribution of LNG (logistics) segments.

# Management Discussion and Analysis

## Administrative Expenses

The administrative expenses of the Company mainly comprises administrative employee related costs including salaries of directors and staffs, employer's contributions for social insurance and pension funds, rental and office expenses, amortisation on right-of-use assets and depreciation on property, plant and equipment. The administrative expenses for the Current Year decreased by 1% to approximately HK\$123.4 million as compared to that of approximately HK\$124.6 million for the Previous Year. Despite the tightened cost control measure exercised by the Company, the point-to-point supply of LNG business operates by the Company requires significant up-front capital investments that have given rise to high depreciation costs, in addition, the recognition of share based expense on share options granted to employees in prior years, the combined effect resulted in the high amount of administrative expenses.

## Finance Costs

The finance costs of the Company mainly comprise interest on lease liabilities and interest on bank and other borrowings. Finance costs for the Current Year increased by 214% to approximately HK\$34.9 million compared to that of approximately HK\$11.1 million for the Previous Year. The increase was mainly due to the increase in interest expenses on interest-bearing bank and other borrowings.

## Impairment Losses Under Expected Credit Loss Model, net of reversal

As at 31 March 2023, the Company engaged an independent qualified valuer to determine the expected credit loss of the Company in respect of finance lease receivables, accounts and other receivables (the "Receivables"). The reversal of impairment under ECL model on Receivables of approximately HK\$0.7 million (2022: HK\$10.3 million) was recognised for the Current Year.

## Impairment Loss on Non-Financial Assets

The impairment test is performed on the Company's LNG businesses segment (the "CGU") using cash flow projections approved by the management covering a period of ten years, impairment loss occurs when the recoverable amount is below the carrying value. The major revenue streams of the CGU included in the cash flow projections comprising point-to-point supply of LNG (retail) and distribution of LNG (logistics) businesses.

Based on the impairment test, the recoverable amount of the CGU is excess its carrying value, as such, no impairment loss was recognised for the Current Year.

## Income Tax Credit/(Expense)

Income tax credit/(expense) mainly comprise current income tax and deferred income tax, the PRC subsidiaries of the Company are subject to the Enterprise Income Tax as determined under PRC tax laws and accounting standards.

Income tax credit of the Company for the Current Year amounted to approximately HK\$1.9 million as compared to the income tax expense of HK\$69,000 for the Previous Year. The increase in income tax credit was mainly due to the over-provision of Hong Kong profit tax in the Previous Year.

## Loss for The Year

As a combined result of the factors discussed above, the Company's net loss for the Current Year was approximately HK\$181 million as compared to a net loss of approximately HK\$199.6 million for the Previous Year.

## Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: Nil).

# Management Discussion and Analysis

## Property, Plant and Equipment

As at 31 March 2023, the property, plant and equipment of the Group amounted to approximately HK\$447.9 million mainly consisting approximately HK\$205.7 million equipment and machinery for LNG supply business, approximately HK\$96.5 million motor vehicles for LNG distribution business, approximately HK\$93 million building and approximately HK\$52.7 million construction in progress and other assets.

## Loan and Reimbursement Receivables

As at 31 March 2023, the loan and reimbursement receivables of the Company amounted to approximately HK\$112.8 million (2022: HK\$118.3 million), are due from two borrowers made in the ordinary course of the Company's money lending business some years ago, which are secured by legal charges over the borrowers' assets.

The loan and reimbursement receivables comprise outstanding loan principal amount and accrued interest. Dr. Kan, the substantial shareholder of the Company, has undertaken with the Company that the Company reserves the right to execute a reimbursement receivable on the aforementioned loan principal and interest if the borrowers fail to repay. Senior management of the Company has always been monitoring closely the recovery of the loans under the previous adverse condition.

## Accounts and Other Receivables

As at 31 March 2023, the accounts and other receivables of the Company amounted to approximately HK\$77.9 million (2022: HK\$198.2 million), comprises accounts receivable, value-added tax recoverable, prepayments, deposits and other receivables. The decrease in the accounts and other receivables was mainly due to the refund of value-added tax and the decrease in revenue for the Current Year.

## LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 March 2023, the cash and cash equivalents of the Company amounted to approximately HK\$31.8 million (2022: HK\$26.6 million), mainly denominated in Hong Kong Dollar and Renminbi.

As at 31 March 2023, total interest-bearing bank and other borrowings of the Company amounted to approximately HK\$591.4 million (2022: HK\$563.1 million), mainly comprises the loans due to a substantial shareholder of the Company and bank borrowings. The interest-bearing bank and other borrowings were mainly used to finance working capital and infrastructure projects of the Company. The maturity profile was spread over a period, with approximately HK\$88.3 million repayable within one year and approximately HK\$503.1 million repayable after one year.

During the Current Year, the Company financed its operations and investment activities through a combination of operating cashflows and interest-bearing borrowings. As at 31 March 2023, equity attributable to owners of the Company amounted to approximately HK\$64.8 million (2022: HK\$223.9 million).

## GEARING RATIO

The Company monitors capital on the basis of the gearing ratio. Gearing ratio is calculated by dividing the interest-bearing debts by total equity at the year end date and expressed as a percentage, the net debts are defined as interest-bearing borrowings that exclude payables and accruals incurred in the ordinary course of business. As the result of the decrease in equity attributable to owners of the Company, the gearing ratio as at 31 March 2023 was increased to 628.6% (2022: 175.6%).

# Management Discussion and Analysis

## PLEDGE OF ASSETS

As at 31 March 2023, the Company's land use rights, certain construction in progress and equipment and machinery with an aggregate carrying amount of approximately HK\$85.5 million (2022: HK\$68.4 million) were pledged to secure certain loans and banking facilities granted to the Company.

## CAPITAL MANAGEMENT

The objective of the Company's capital management is to ensure adequate return and to uphold the assets of the Company to continue as going concern. The Company actively and regularly reviews and adjust capital structure to cope with changes in economic conditions.

## CAPITAL COMMITMENT

As at 31 March 2023, the total capital commitments by the Company amounted to approximately HK\$229 million (2022: HK\$264.4 million), which were mainly contracted commitments in respect of project construction and purchase of machinery and equipment.

## CONTINGENT LIABILITIES

The Company had no significant contingent liabilities as at 31 March 2023 (2022: Nil).

## RISK MANAGEMENT AND INTERNAL CONTROL

The risk management framework, coupled with the internal controls of the Company, ensures that the risks associated with different business units are effectively controlled in line with the Company's risk appetite. The Company does not have an internal audit department, an annual review is conducted on whether there is a need for such an internal audit department is required. Given the Company's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Company and for reviewing its effectiveness. The Company engaged an external consultant to perform annual review on the assessment of the internal control system and to make recommendations for improving and strengthening the system for the Current Year, no significant area of concern that may affect the financial, operational, compliance, control and risk management of the Company has been identified. The Board considered the Company's internal control system to be effective and adequate.

The Company has various financial assets and financial liabilities arising from business operations, we intend to achieve an appropriate balance between these risks and the investment returns so as to minimise the potential adverse impact on the business and financial condition. The LNG business and financial services business of the Company faces a variety of risks in its operations, including credit risk, liquidity risk, interest rate risk, operational risk, and legal and compliance risk. The Company recognises the importance of effective risk management for identifying and mitigating these risks. The Company manages the risks through comprehensive due diligence on customers, information review and multi-level approval process to the characteristics of its business operations. The Company will continue to monitor and review the operation and performance of the risk management and improve from time to time to adapt to the changes in market conditions and the regulatory environment.

## Macroeconomic Fluctuation and Industry Cyclical Risks

The Company is engaged in the LNG industry, the market demand for LNG is closely related to the development of the national economy, infrastructure investment and construction and environmental protection policies etc. Affected by global macroeconomic fluctuations, the degree of industry prosperity and other factors, the industry in which the Company operates is cyclical to a certain extent. Any future adverse changes in the macro environment, market demand and the environment of competition in the future, which will adversely affect the business growth, LNG sales or cost of the Company, will lead to a decline in the results of operations of the Company and adversely affect its sustainable profitability.

# Management Discussion and Analysis

In addition, the Company's results are significantly influenced by factors including changes in industry policies and the market demand and the increase in labor costs. In the future, in case of any adverse change including failure of the Company to effectively predict the change of market demand or grasp industry policies accurately, or flare-ups of the pandemic, the Company will be subject to risks of a slowdown in the growth of the global business market or even fluctuation of results of operations.

The Company is committed to promoting compliance in its diversified development, further building and improving the business arrangements around the nation, thus enriching the revenue structure of main businesses of the Company and maintaining the sustainable competitive advantage of the Company in the complex environment. Meanwhile, the Company has always monitored the regulatory trend in the places where it operates, adjusted its business strategies in a timely manner, thoroughly studied the industry standards in the places where it operates. The Company has continuously improved to ensure that the Company meets the conditions of its business licenses, so as to guarantee the sustainable and healthy development of its business.

## Risk of Exchange Rate Fluctuations

The major operating units of the Company is in China and is exposed to foreign exchange risk that comes from future commercial transactions and holding assets and liabilities in Renminbi, as the reports of the Company is in Hong Kong Dollar, a strengthen of the Hong Kong Dollar against Renminbi will have a negative impact on the reported comprehensive income. The Company will remain subject to the risk of exchange loss, in case of significant fluctuations in the exchange rate of the reporting currency against any foreign currency in the future as a result of any changes in the domestic and foreign economic environment, political situation, monetary policies and other factors.

The Company manages its foreign exchange risk by regularly reviewing its net exposure to foreign exchange risk, the management of the Company continuously monitors the market environment and its foreign exchange risks and considers taking appropriate hedging measures when necessary.

## Shortage In the Supply of LNG and Risk of Significant Increase In Prices

The Company's operation process depends on the timely and stable supply of LNG, despite stable partnerships with the major supplier for sufficient supply and relatively stable prices, any sudden and significant changes in production and operation of the major supplier, the quality of natural gas supplied or the period of supply failing to meet the Company's requirements, any changes in the business relationship with the Company, or significant fluctuations of the supply prices and failure of the Company to adjust the selling prices proportionally in a timely manner may have adverse impacts on the operation of the Company.

The Company will actively use the price and scale advantage created by centralized purchase channels as well as effective control of supply platforms to reduce purchase costs and the impact of fluctuations in LNG prices.

## LEGAL PROCEEDINGS

Reference has been made to the announcement of the Company on 16 May 2023 that the authorised representative of the Company had been duly served on 11 May 2023 a statutory demand dated 28 April 2023 from the solicitors acting on behalf of a creditor pursuant to Section 178(1)(a) or Section 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of Laws of Hong Kong), demanding the Company to pay the amount of HK\$60,317,749, being a judgment debt against the Company's indirect wholly-owned subsidiary, Great Trend Investment Management (Shanghai) Company Limited\* which the Company acts as a guarantor pursuant to a judgment issued by the Higher People's Court of Tianjin Municipality. The Company had through its legal advisors, requested the creditor to undertake not to present any winding-up petition against the Company in reliance on the Statutory Demand, and assurance has been obtained from the solicitors of the creditor that the creditor will not proceed to take out winding-up petition against the Company for the time being.

# Management Discussion and Analysis

Save as disclosed, there were small claims and legal proceedings for or against several subsidiaries of the Company in relation to the ordinary course of its business, the relevant amounts of such legal proceedings have been duly considered, it is the opinion of management that the ultimate outcome in these legal proceedings, individually or collectively, will not have a material adverse effect on its financial position or results of operations to the extent not previously provided for.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Company had a staff roster of 336 members (2022: 628) of which 131 are LNG truck drivers, the significant reduction in the number of staff members is mainly due to the restructuring of the logistics business during the year. The related staff costs (including directors' emoluments) for the Current Year amounted to approximately HK\$59.4 million (2022: HK\$116.7 million), representing a decrease of 49.1%. The remuneration of employees was in line with market trend and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed of the Company. In addition to basic salary, employees of the Company are entitled to other benefits including those under social insurance contribution, employee provident fund schemes and share option scheme.

The emoluments of the Directors and senior management is determined by reference to their performance for the year, experience, qualification, duties and responsibilities in the Company and the prevailing market rate and will be subject to review by the remuneration committee and the Board from time to time.

Human resources are the most valuable asset to the Company, we always attaches great importance to the personal development of our employees, we believes the maintaining enthusiasm of employees is the key to continuous success, hence the Company emphasized the importance of talent cultivation and put resources in regular training courses to enhance employees' technical knowledge and safety awareness as well as management skills.

## MATERIAL ACQUISITIONS AND DISPOSALS

The Company has no material acquisitions and disposals of subsidiaries, associates or joint ventures during the Current Year.

## 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 2023.

## EVENTS AFTER THE REPORTING PERIOD

Events subsequent to the end of the reporting period and up to the date of this report are set out in the note 38 to the consolidated financial statements.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, there was no other specific plan for material investments or capital assets as at 31 March 2023.

# Biographical of Directors and Senior Management

## EXECUTIVE DIRECTORS

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

Dr. Kan, aged 71, is an executive Director, the Chairman of the Board and the chief executive officer of the Company, he is also the controlling shareholder of the Company as defined in the Rules Governing the Listing of Securities in the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Dr. Kan graduated from the University of East Anglia in the United Kingdom with a Bachelor of Science degree and further received a degree of Doctor of Civil Law honoris causa in 2016. He is a fellow member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Securities Institute, he is also a reasonable officer under the SFC in Hong Kong. Dr. Kan worked for Deloitte Touche Tohmatsu Limited and KPMG, he has extensive experience in accounting, taxation and corporate finance. 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), he was an executive director of Warderly International Holdings Limited (now renamed as Fullshare Holdings Limited, stock code: 607) and resigned on December 2013, he was a director of Interchina Holdings Company Limited (now renamed as EverChina Int’l Holdings Company Limited, stock code: 202) and resigned on September 2000, shares of which are listed on the Stock Exchange of Hong Kong. Mr. Li Kai Yien, Arthur Albert is a nephew of Dr. Kan.

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

Mr. Arthur, aged 50, was appointed as an executive Director of the Company on October 2007. Mr. Arthur graduated from the University of Southern California with a Bachelor of Science degree in 1995, he is a member of the Association of International Certified Professional Accountants since 2001. Mr. Arthur has more than 18 years of experience in accounting and securities dealing, he is currently a dealer representative of Phillip Securities (HK) Ltd. Mr. Arthur is a nephew of Dr. Kan.

## NON-EXECUTIVE DIRECTORS

### **Mr. Simon Murray (“Mr. Murray”)**

Mr. Murray, aged 83, was appointed as an independent non-executive Director of the Company on 23 October 2014 and re-designated as a non-executive Director on 2 April 2015. Mr. Murray holds an Honorary Degree in Law from the Bath University and attended the Stanford Executive Program in the United States, he has extensive experience in finance, transportation, natural resources, infrastructure and power sectors.

Mr. Murray is the founder of General Enterprise Management Services Limited, a private equity fund management company. He currently is a non-executive director of Wing Tai Properties Limited (stock code: 369) and Spring Asset Management Limited which is the manager of Spring Real Estate Investment Trust (stock code: 1426), shares of which are listed on the Stock Exchange of Hong Kong.

Mr. Murray was the CEO of Hutchison Whampoa Limited (stock code: 13) for more than 10 years and previously acted as an independent non-executive director of Cheung Kong Property Holding Limited (now renamed as CK Asset Holdings Limited, stock code: 1113), shares of which are listed on the Stock Exchange of Hong Kong, he was also the executive chairman of Deutsche Bank AG Asia Pacific.

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).

# Biographical of Directors and Senior Management

## **Dr. Lam, Lee G. (“Dr. Lam”)**

Dr. Lam, aged 64, was appointed as an independent non-executive Director of the Company on 23 October 2014 and re-designated as a non-executive Director on 2 April 2015. Dr. Lam has extensive international experience in general management, strategy consulting, corporate governance, direct investment, investment banking and asset management. He served as Chairman of Hong Kong Cyberport, a member of the Committee on Innovation, Technology and Re-Industrialization, and the Sir Murray MacLehose Trust Fund Investment Advisory Committee, and a Part-time Member of the Central Policy Unit of the Hong Kong Special Administrative Region (HKSAR) Government. Dr. Lam is a member of the Chief Executive’s Policy Unit Expert Group, the Governance Committee of the Hong Kong Growth Portfolio and the Development Bureau Common Spatial Data Advisory Committee of the HKSAR Government, and Convenor of the Panel of Advisors on Building Management Disputes of the HKSAR Government Home Affairs Department. He is also a member of the Belt and Road and Greater Bay Area Committee of the Hong Kong Trade Development Council and the Court of the City University of Hong Kong, Chair of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN), Vice Chairman of Pacific Basin Economic Council, and a member of the Board of Directors and Chairman of the Permanent Commission on Economic and Financial Issues of the World Union of Small and Medium Enterprises.

Dr. Lam is an executive director of Hong Kong Aerospace Technology Group Limited (FKA: Eternity Technology Holdings Limited, re-designated from non-executive director on 3 January 2022), the shares of which are listed on the Stock Exchange. He is an independent non-executive director of each of CSI Properties Limited, Vongroup Limited, Mei Ah Entertainment Group Limited, Elife Holdings Limited (FKA: Sino Resources Group Limited), Haitong Securities Co., Ltd. and it is also listed on the Shanghai Stock Exchange, Hang Pin Living Technology Company Limited (FKA: Hua Long Jin Kong Company Limited), Kidsland International Holdings Limited, Greenland Hong Kong Holdings Limited, Huarong International Financial Holdings Limited, RENHENG Enterprise Holdings Limited and New Huo Technology Holdings Limited; and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited, China LNG Group Limited, and Mingfa Group (International) Company Limited (re-designated from independent non-executive director on 23 April 2020), the shares of all of which are listed on the Stock Exchange. He is also an independent non-executive director of Asia-Pacific Strategic Investments Limited (FKA: China Real Estate Grp Ltd.), Thomson Medical Group Limited and Alset International Limited (FKA: Singapore eDevelopment Limited (re-designated from non-executive director on 2 July 2020), the shares of all of which are listed on the Singapore Exchange. Dr. Lam is an independent non-executive director of AustChina Holdings Limited (FKA: Coalbank Limited), whose shares are listed on the Australian Securities Exchange and a non-executive director of Jade Road Investments Limited (FKA: Adamas Finance Asia Limited), whose shares are listed on the London Securities Exchange.

Dr. Lam was a non-executive director of Tianda Pharmaceuticals Limited up to August 2021, China Shandong Hi-Speed Financial Group Limited (now known as Shandong Hi-Speed Holdings Group Limited) up to May 2020, and National Arts Group Holdings Limited up to July 2022, and he was also an independent non-executive director of Aurum Pacific (China) Group Limited up to March 2021 and Huarong Investment Stock Corporation Limited (which was privatized on 12 November 2020) up to December 2020 the shares of all of which are listed on the Stock Exchange. He was an independent non-executive director of each of Top Global Limited up to August 2021 and Beverly JCG Ltd. (FKA: JCG Investment Holdings Ltd.) up to April 2023 (both listed on the Singapore Exchange), Sunwah International Limited (listed on the Toronto Stock Exchange) up to June 2021 and TMC Life Sciences Berhad (listed on the Bursa Malaysia) up to 31 May 2023.

## **Mr. Xiao Cong (“Mr. Xiao”)**

Mr. Xiao Cong, aged 42, was appointed as a non-executive Director of the Company on 23 May 2022. Mr. Xiao graduated from the Communication University of China (formerly known as Beijing Broadcasting Institute) with a bachelor’s degree in Journalism and Communication, Mr. Xiao currently is the director of MZ Securities Investment Consulting Company Limited. He previously served various roles at the management level in a number of companies including as the senior partner of Tianan Financial Holdings (Shenzhen) Company Limited and Chengning Technology Industry Investment (Shenzhen) Company Limited since 2015, as the chairman and legal representative of Taichang Real Estate development Corporation Limited and as the production supervisor of large-scale activity department of Hubei Satellite TV.



# Biographical of Directors and Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Mr. Li Siu Yui (“Mr. Li”)

Mr. Li Siu Yui, aged 53, was appointed as an independent non-executive Director of the Company on October 2007. Mr. Li obtained a Master’s degree in Business Administration from the University of Wales, he has over 20 years of investment and managing experience. He currently is a responsible officer under the SFC in Hong Kong.

Mr. Li was an independent non-executive director of EJE (Hong Kong) Holdings Limited (formerly known as Jia Meng Holdings Limited, stock code: 8101) for the period from July 2017 to January 2020, he was an independent non-executive director of Fullshare Holdings Limited (formerly known as Warderly International Holdings Limited for the period from June 2008 to December 2013, a company listed in the Stock Exchange of Hong Kong (stock code: 607).

### Mr. Chow Ching Ning (“Mr. Chow”)

Mr. Chow Ching Ning, aged 55, was appointed as an independent non-executive Director of the Company on September 2019. Mr. Chow graduated from the Hong Kong Polytechnic University with a Bachelor (Hons) degree, he is a member of the CFA Institute and a Fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Chow has over 20 years of investment experience in Mainland China, Israel and South East Asia region.

Mr. Chow currently is a Managing Partner of Radiant Tech Ventures (“**Radiant**”), an asset management company licensed under the SFC Hong Kong. Radiant is one of the first batch of six selected co-investment partners of the HKSAR Government to build up the technology eco-system in Hong Kong, investing mainly in sectors such as fintech, AI and robotics, Web3 and ESG. He is also an independent non-executive director of Shanshan Brand Management Company Limited, a company listed in the Stock Exchange of Hong Kong (stock code: 01749).

Mr. Chow was an independent non-executive director of SinoSun Technology Company Limited, a company listed in Shenzhen Stock Exchange (SHE stock code: 30033) for the period from April 2017 to May 2020, he also served as a managing director and a member of the investment committee for JAFCO Investment (Asia Pacific) Limited responsible for overall investment decisions in the APAC region except Japan.

### Mr. Lam Lum Lee (“Mr. Lam”)

Mr. Lam, aged 77, was appointed as an independent non-executive Director of the Company on May 2015. Mr. Lam is currently the chairman of China Information Industry Association, the chairman of China Culture & Education Foundation and the honorary chairman of Hong Kong Critical Components Manufacturers Association. He was a committee member of Hong Kong Vocational Training Council of Electronic and Telecommunication Division, the president of Hong Kong Critical Components Manufacturers Association, the vice chairman of Hong Kong Electronic Technology Association and a director of Hong Kong Optoelectronic Association.

## COMPANY SECRETARY

Ms. Chan Mui (“**Ms. Chan**”), was appointed on 26 April 2022 as the company secretary of the Company, she currently serves as the chief financial officer and company secretary of the Company responsible for the oversight of financial and internal control, company secretary and compliance with the requirements under the Listing Rules. Ms. Chan is an associate member of the Hong Kong Chartered Governance Institute and a fellow of the Association of Chartered Certified Accountants. Ms. Chan has extensive experience in auditing, accounting and financial management, prior to joining the Company, she served in key financial position for Hong Kong listed companies.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICE

The Board and the management of the Company are committed to upholding a sound corporate governance practices and procedures in the firm belief that high standards of corporate governance provides a framework and solid foundation is essential to improving the efficiency and performance of the Company and to safeguard the interests of the Shareholders. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and complies with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. Set out below are the principles of corporate governance as adopted by the Company.

## CORPORATE GOVERNANCE CODE

The Company has applied the principles of and complied with the applicable code provisions (the "**Code Provisions**") as set out under the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the Current Year. The Directors periodically review on the Company's corporate governance policies and will propose any amendment, if necessary, to ensure compliance with the Code Provisions from time to time. For the Current Year, the Board is of the view that the Company has complied with all code provisions set out in the CG Code except for code provision A.2.1 and A.4.1 of the CG Code as follow:

Code Provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Kan has held the positions as the Chairman of the Board and chief executive officer of the Company during the Current Year. Notwithstanding the deviation from the Code Provision A.2.1, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer on the same person can facilitate execution of the Company's business strategies and provide a strong and consistent leadership to the Company. The Board considers that the appointment of Dr. Kan as the Chairman of the Board and the chief executive officer of the Company will not impair the balance of power as all major decisions are made in consultation with members of the Board. In addition, under the supervision by the Board which currently consists of two executive Directors, three non-executive Director and three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented.

Code Provision A.4.1 stipulates that non-executive director shall be appointed for a specific term, subject to re-election, whereas Code Provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The existing independent non-executive Directors and non-executive Directors of the Company are not appointed for specific terms, but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association ("**Articles**") of the Company at least once every three years.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

### Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. In response to a specific enquiry by the Company, all Directors have confirmed that they had fully complied with the requirements of the Model Code during the current Year.

### Securities Transactions by Senior Management and Staff

The senior management and staff have been individually notified and advised about the Model Code by the Company.

# Corporate Governance Report

## CORPORATE GOVERNANCE FUNCTIONS

It is the responsibility of the Board to determine the appropriate corporate governance practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives.

The duties of the Board in performing its corporate governance functions under the CG Code include:

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

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the CG Code. As at the date of this annual report, the Board has reviewed and monitored (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of Directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, and (d) the Company's code of conduct and (e) the Company's compliance with the CG Code disclosure requirements.

## BOARD OF DIRECTORS

The Board currently comprises eight Directors, with two executive directors, three non-executive directors and three independent non-executive directors. The composition of the Board during the year is set out as follows:

### Executive Directors

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

### Non-Executive Directors

Mr. Simon Murray  
Dr. Lam, Lee G.  
Mr. Xiao Cong (*appointed on 23 May 2022*)

### Independent Non-Executive Directors

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

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

Each of the current independent non-executive Directors has given an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

# Corporate Governance Report

## THE BOARD

### Role and function

The Board is responsible for leadership of the Company and be collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The Board focuses on formulating the Company's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Company; and setting the Company's values and standards. The Board delegates the day-to-day management, administration and operation of the Company to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Company.

### Composition

As at the date of this annual report, the Board currently comprises eight members, consisting of two executive Directors, three non-executive and three independent non-executive Directors. The List of Directors is set out in the headed "Board of Directors" of this section. There is a balance of skills and experience for the Board, which is appropriate for the requirements of the business of the Company. Biographical details of the Directors and senior management of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 14 to 16 of this annual report.

The Directors have no financial, business, family or other material or relevant relationship with each other save as disclosed.

Pursuant to the Code Provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy, the Board has adopted the board diversity policy with a view to achieve a sustainable and balanced development of the Company. In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. This diversity policy is reviewed annually by the nomination committee of the Company and where appropriate, revisions will be made with the approval from the Board.

### Board Meetings

The Board meets regularly to discuss and formulate the overall strategy to monitor the operation and financial performance of the Company. The Company Secretary assists the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

Pursuant to Code Provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held as at least four times a year. Additional meetings would be arranged if and when required. Directors may participate either in person or through electronic means of communications.

# Corporate Governance Report

During the Current Year, the Board had convened six regular Board meetings and one general meeting, the attendance records of the Directors are set out as follows:

Directors	Number of meetings held and attended during the Current Year	
	Regular Board meetings	General meeting
<b>Executive Directors</b>		
Dr. Kan Che Kin, Billy Albert ( <i>Chairman</i> )	6/6	1/1
Mr. Li Kai Yien, Arthur Albert	6/6	1/1
<b>Non-Executive Directors</b>		
Mr. Simon Murray	6/6	1/1
Dr. Lam, Lee G.	6/6	1/1
Mr. Xiao Cong (appointed on 23 May 2022)	6/6	1/1
<b>Independent Non-Executive Directors</b>		
Mr. Li Siu Yui	6/6	1/1
Mr. Chow Ching Ning	6/6	1/1
Mr. Lam Lum Lee	6/6	1/1

## Access to Information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Company before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access the Company's senior management to make further enquiries if necessary.

## DIRECTORS' INDUCTION AND PROFESSIONAL DEVELOPMENT

On appointment to the Board, each newly appointed Director shall receive a comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and sufficient aware of directors' responsibilities and obligations under the Listing Rules and relevant statutory requirements.

The Directors are regularly updated and apprised of the amendments to or updates on the relevant laws, rules, regulations and guidelines, particularly the effects of such new or amended laws, rules, regulations and guidelines on directors specifically, and the Company and the Company generally. On an ongoing basis, Directors are encouraged to keep up-to-date on all matters relevant to the Company and to attend briefings, seminars and relevant training courses as appropriate. The Directors are requested to provide the Company with their respective training record pursuant to the requirement of the CG Code on continuous professional development.

During the Current Year, all of the Director have participated in appropriate continuous professional development activities by way of attending training sessions, conferences and seminars and reading materials relevant to the Company's business, directors' duties and responsibilities, corporate governance and recent amendments to the Listing Rules.

# Corporate Governance Report

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Current Year and as at the date of this report, Dr. Kan Che Kin, Billy Albert is the Chairman of the Board and the chief executive officer of the Company.

Code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Kan has held the positions as the Chairman of the Board and chief executive officer of the Company during the Current Year. Notwithstanding the deviation from code provision A.2.1, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer on the same person can facilitate execution of the Company's business strategies and provide a strong and consistent leadership to the Company. The Board considers that the appointment of Dr. Kan as the Chairman of the Board and the chief executive officer of the Company will not impair the balance of power as all major decisions are made in consultation with members of the Board. In addition, under the supervision by the Board which currently consists of three executive Directors, one non-executive Director and three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented.

## NON-EXECUTIVE DIRECTOR

Code Provision A.4.1 stipulates that non-executive director shall be appointed for a specific term, subject to re-election, whereas Code Provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The existing independent non-executive Directors and non-executive Directors of the Company are not appointed for specific terms, but subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of the Company at least once every three years.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are considered by the Board to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgments. The Board considered that each of the independent non-executive Directors brings his own relevant expertise to the Board and its deliberations. None of the independent non-executive Directors has any business or financial interests with the Company nor has any relationship with other Directors.

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has currently appointed three independent non-executive Directors, one of the three independent non-executive Director has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee. No less than one-third of the Directors are subject to retirement by rotation at each annual general meeting in accordance with the Articles of the Company.

# Corporate Governance Report

## APPOINTMENTS AND RE-ELECTION OF DIRECTORS

### Nomination Policy

The Board has adopted the following policies for the nomination of directors in determining the suitability of a candidate, the Nomination Committee and the Board considers the potential contributions that a candidate can bring to the Board and/or the Company. The Nomination Committee would consider a candidate in terms of qualifications, skills, experience, independence and other factors. The following shows a non-exhaustive list of selection criteria:

- the candidate's reputation, character and integrity;
- the candidate's qualifications, skills, knowledge, business judgment and experience which are relevant to the operations of the Company; and
- the relevant factors set out in the board diversity policy of the Company (as amended from time to time).

### Nomination Procedures

The evaluation, recommendation, nomination, selection and appointment or re-appointment of each proposed Director shall be assessed and considered by the Nomination Committee and the Board against the selection criteria and the board diversity policy of the Company.

In the context of appointment of any proposed candidate to the Board:

- the Nomination Committee may take such measures that it considers appropriate in connection with its identification and evaluation of candidates, including referrals from the Directors, shareholders, management, advisers of the Company;
- the Nomination Committee shall identify and ascertain the character, qualification, knowledge and experience of the candidate and perform adequate due diligence in respect of such candidate;
- the Nomination Committee shall make recommendations by submitting the candidate's personal profile to the Board for its consideration; and
- According to the Article 86(3) of the Articles of the Company, any Director so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at such general meeting.

### Retirement of Directors

In accordance with Article 87(1) of the Articles of the Company, at each annual general meeting, at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Chow Ching Ning, Mr. Simon Murray and Dr. Lam, Lee G. shall retire by rotation at the forthcoming annual general meeting of the Company (the "2023 AGM") and they, being eligible, have offer themselves for re-election.

# Corporate Governance Report

## AUDIT COMMITTEE

As at the date of this report, the Audit Committee comprises three members, namely Mr. Li Siu Yui (Chairman), Mr. Chow Ching Ning and Mr. Lam Lum Lee, all being independent non-executive Directors, none of them is a partner or former partner in the preceding two years of the existing auditors of the Company, or has or had in the preceding two years any financial interest in the existing auditors. Further details on the terms of reference of the Audit Committee are available on the website of the Company and the Stock Exchange.

The main duties of the Audit Committee include:

- to be primarily responsible for making recommendations and advice to the Board on the appointment, reappointment and removal of the external auditors, and to approve and review the remuneration and terms of engagement of the external auditors;
- to review and monitor the external auditors' independence and objectivity and the effectiveness of the internal audit process in accordance with applicable standards;
- to develop and implement policy on engaging an external auditors to supply non-audit services, and to review and monitor the extent of non-audit works undertaken by external auditors;
- to monitor the integrity of financial statements and the annual report and accounts and interim report, and to review significant financial reporting judgments contained in them;
- to discuss the risk management and internal control systems with management of the Company to ensure that the management of the Company has performed its duty to have an effective risk management and internal control systems; and
- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and monitor the Company's policies and practices on compliance with legal and regulatory requirements.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice if it considers necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

During the Current Year, the Board had no disagreement with the Audit Committee's view on the re-appointment of the external auditors. The financial statements for the Current Year and this annual report have been reviewed by the Audit Committee.

Two meetings of the Audit Committee were held during the Current Year. The executive Directors, senior management and/or the external auditors of the Company were invited to join the discussions at the meetings, as the may be issues concerning the financial reporting and internal control were discussed, the attendance of each member is set out as follows:

<b>Name of members of Audit Committee</b>	<b>Number of meetings held and attended during the Current Year</b>
Mr. Li Siu Yui ( <i>Chairman</i> )	2/2
Mr. Chow Ching Ning	2/2
Mr. Lam Lum Lee	2/2



# Corporate Governance Report

## NOMINATION COMMITTEE

As at the date of this report, the Nomination Committee comprises three members, namely Li Siu Yui (Chairman), Mr. Chow Ching Ning and Dr. Kan Che Kin Billy Albert. A majority of the members of the Nomination Committee namely Mr. Li Siu Yui and Mr. Chow Ching Ning are independent non-executive Directors. Dr. Kan Che Kin, Billy Albert, the member of the Nomination Committee is also the Chairman of the Board and executive Director of the Company.

The principal responsibilities of the Nomination Committee include:

- to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- to assess the independence of independent non-executive Directors;
- to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer; and
- to conform to any requirement, direction, and regulation that may from time to time be contained in the Articles of the Company or imposed by the Listing Rules or applicable law.

Three meetings of the Nomination Committee were held during the Current Year, issues concerning revision of the structure size and composition of the Board and the board diversity policy were discussed, the attendance of each member is set out as follows:

<b>Name of members of Nomination Committee</b>	<b>Number of meetings held and attended during the Current Year</b>
Mr. Li Siu Yui ( <i>Chairman</i> )	3/3
Mr. Chow Ching Ning	3/3
Dr. Kan Che Kin, Billy Albert	3/3

## REMUNERATION COMMITTEE

As at the date of this report, the Remuneration Committee comprises three members, namely Mr. Li Siu Yui (Chairman), Mr. Chow Ching Ning and Dr. Kan Che Kin, Billy Albert, A majority of the members of the Remuneration Committee namely Mr. Li Siu Yui and Mr. Chow Ching Ning are independent non-executive Directors. Dr. Kan Che Kin, Billy Albert, the member of the Remuneration Committee is also the Chairman of the Board and executive Director of the Company.

The principal responsibilities of the Remuneration Committee include:

- to consult the chairman of the Board and/or chief executive about their remuneration proposals for other executive Directors;
- to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management below Board level;

# Corporate Governance Report

- to make recommendations to the Board on the remuneration of independent non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries;
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and
- to conform to any requirement, direction, and regulation that may from time to time be contained in the Articles of the Company or imposed by the Listing Rules or applicable law.

Three meetings of the Remuneration Committee were held during the Current Year, to consider the remuneration of the executive Directors and senior management and made recommendations to the Board taking into consideration industry practices and norms in compensation, in addition to the performance relative to the Company and its subsidiaries and the performance of the individual Directors. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

Name of members of Remuneration Committee	Number of meetings held and attended during the Current Year
Mr. Li Siu Yui ( <i>Chairman</i> )	3/3
Mr. Chow Ching Ning	3/3
Dr. Kan Che Kin, Billy Albert	3/3

The emoluments of the Directors and senior management of the Company are determined by the Remuneration Committee of the Company with reference to their relevant qualifications, experience, competence and the prevailing market conditions. None of the Directors waived or agreed to waive any emoluments during the Current Year.

The remuneration of Directors and senior management of the Company during the year falls within the following bands:

Remuneration bands	Number of persons
Nil to HK\$1,000,000	8
HK\$1,000,001 to HK\$7,000,000	1

Directors' emoluments comprise payments (includes share based payments) and other benefits to the Directors in connection with their respective managing affairs in the Company. Further details of the emoluments of the Directors and the five highest paid individuals of the Company during the Current Year are set out in notes 7 and 8 to the consolidated financial statements.

## ACCOUNTABILITY AND AUDIT

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the consolidated financial statements of the Company that give a true and fair view of the state of affairs of the Company. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern and the Board has prepared the consolidated financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement issued by McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**"), the independent auditor of the Company, about their reporting responsibility is set out in the Independent Auditor's Report.

# Corporate Governance Report

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board is primarily responsible for the establishment, maintenance and review of the Company's risk management and internal control systems. The Board must ensure that the Company establishes and maintains effective risk management and internal control systems to meet the objectives and safeguard the interests of the Shareholders and the assets of the Company.

The Board, as supported by the Audit committee, reviews the Company's overall risk management and internal control systems on an ongoing basis. At the same time, the Company endeavors to identify risks, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risk management and internal control systems which are compatible with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Integrated Framework 2013 principles. They are designed to manage rather than eliminate the risk of failures in order to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company has established a risk management policy which sets out the process of identification, evaluation and management of the principal risks affecting the business.

- a) Each division is responsible for identifying and assessing principal risks within its divisions on a quarterly basis and establishing mitigation plans to manage the risks identified;
- b) The senior management is responsible for overseeing the Company's risk management and internal control activities, attending meetings with each division to ensure principal risks are properly managed, and new or changing risks are identified and documented; and
- c) The Board is responsible for reviewing and approving the effectiveness and adequacy of the Company's risk management and internal controls systems.

The risk management framework, coupled with the internal controls of the Company, ensures that the risks associated with different business units are effectively controlled in line with the Company's risk appetite.

The Company does not have an internal audit department, an annual review has conducted on whether there is a need for such an internal audit department is required. Given the Company's relatively simple corporate and operation structure, as opposed to diverting resources to establish a separate internal audit department, the Board, as supported by the Audit Committee, is directly responsible for risk management and internal control systems of the Company and for reviewing its effectiveness. The Company engaged an external consultant to perform annual review and to make recommendations for improving and strengthening the internal control system. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Company has been identified. The Board considered the Company's internal control system to be effective and adequate.

## AUDITOR'S INDEPENDENCE AND REMUNERATION

PKF Hong Kong Limited ("PKF") resigned as the auditor of the Company with effect from 6 February 2023. At the recommendation of the Audit Committee, the Board appointed McMillian Woods as the new auditor of the Company to fill the casual vacancy following the resignation of PKF with effect from 6 February 2023 and to hold office until the conclusion of the forthcoming AGM. McMillian Woods is responsible for auditing and forming an independent opinion on the Company's consolidated financial statements for the year ended 31 March 2023.

The Audit Committee of the Company is responsible for considering the appointment and re-election of external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect to the Company.

# Corporate Governance Report

The remuneration paid or payable to the external auditors of the Company, in respect of audit services and non-audit services for the year ended 31 March 2023 are set out below:

<b>Services rendered</b>	<b>Fees paid/payable</b>
	HK'000
Audit services	800
Non-audit services	94
<b>Total</b>	<b>894</b>

The Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered.

## COMPANY SECRETARY

Ms. Chan Mui has been appointed on 26 April 2022 as the company secretary of the Company. In compliance with rule 3.29 of the Listing Rules, Ms. Chan has confirmed that she has undertaken no less than 15 hours of relevant professional training during the year in compliance with Rule 3.29 of the Listing Rules. The biographical details of Ms. Chan are set out under the section headed "Biographies of Directors and Senior Management".

The company secretary is responsible for ensuring that Board procedures comply with all applicable laws, rules and regulations and advising the Board on corporate governance matters. The company secretary of the Company reports to the Board through the Chairmen whilst all Directors have access to the advice and services of the company secretary.

## DISSEMINATION OF INSIDE INFORMATION

The Company regulates the handling and dissemination of inside information according to internal procedures and policy so as to ensure inside information remains confidential until the disclosure and publication of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Board is responsible for approving the policy on disclosure of inside information which aims at providing guiding principles, practices and procedures to assist employees and officers of the Company in (i) relaying inside information to the Board to enable it to make timely decisions on disclosure, if necessary; and (ii) communicating with the Company's stakeholders, in ways which are in compliance with the SFO and the Listing Rules.

An employee who becomes aware of a matter or event that he/she considers to be material or inside information shall report to his division/department head who will assess the sensitivity of the relevant information and, if considered appropriate, escalate and report to the Board and/or the company secretary of the Company.

## DIVIDEND POLICY

The dividend policy of the Company is to distribute to its Shareholders the funds surplus to the operating needs, current and future business development of the Company as determined by the Board. The Company may declare and pay dividends to the Shareholders subject to the criteria as set out below.

In accordance with the Articles of the Company and subject to the relevant laws of the Cayman Islands, the Company in general meeting may from time to time declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board.

Dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Board determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the relevant laws under the Cayman Islands.

# Corporate Governance Report

## COMMUNICATION WITH SHAREHOLDERS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at <https://china lng.todayir.com>.

Separate resolutions are proposed at the general meetings for such substantially separate issues, including re-election of retiring Directors. The Chairperson of the AGM and the chairman/members of the Board Committee and the external auditor had attend the 2022 AGM to answer questions from the Shareholders. With the assistance of the Company Secretary, the Chairperson of the meeting had explained the procedures for conducting a poll during the meeting.

The Company regards communications with its investors as being vital and continues to enhance investor relations. Designated members of the Board and senior management of the Company are given the specific responsibilities to maintain regular contact with institutional investors, potential investors as well as other stakeholders. The Board reviewed the investor engagement and communication activities to date and was satisfied with the effectiveness of the shareholders communication policy in place.

## GENERAL MEETING

The general meeting of the Company provides an opportunity for communication between the Shareholders and the Board. The Chairman of the Board as well as chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, their duly appointed delegates are available to answer questions at the Shareholders' meetings. The auditor of the Company is also invited to attend the Company's AGM and is available to assist the Directors in addressing queries from the Shareholders relating to the conduct of the audit and the preparation and contents of the Independent Auditors' Report. Separate resolutions are proposed at the AGM on each substantial issue, including the election of the individual Directors.

At any general meeting, a resolution put to the vote of the meeting shall be decided by poll save that the Chairman of the meeting may, pursuant to the Listing Rules, allow a resolution be voted by a show of hands in accordance with Article 66 of the Articles of the Company. The Chairman will explain such rights and procedures during the AGM before voting on the resolutions.

## SHAREHOLDERS' RIGHTS

### Right to Convene an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of the Company, Shareholders can make a requisition to convene an extraordinary general meeting. The procedures for the Shareholders to convene an EGM are as follows:

- (1) any one or more Shareholders (the "**Requisitionist**") holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the company secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.
- (2) such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) shall be reimbursed by the Company.

### Right to putting forward Proposals at a General Meeting

Shareholders are welcomed to suggest proposals relating to the operations, strategy and/or management of the Company at shareholders' meeting. Proposals shall be sent to the Board or the company secretary by written requisition of his/her proposal (the "**Proposal**") together with his/her detailed contact information to the Company Secretary at the Company's principal place of business in Hong Kong at the 8th Floor, St. John's Building, 33 Garden Road, Central, Hong Kong in the manner as set out above.

# Corporate Governance Report

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

- at least 21 days' notice in writing if the Proposal requires approval by way of a special resolution of the Company in an EGM or resolution of the Company in an AGM.
- at least 14 days' notice in writing if the Proposal requires approval in any other EGM.

## Right to 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 the Company, 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.

## Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by facsimiles to (852) 3691 8282 for the attention of the company secretary of the Company.

Shareholders should direct their shareholdings enquiries to the Company's Hong Kong Branch Share Registrar at the following address:

Tricor Standard Limited  
Address: 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong  
Tel: (852) 2980 1333 Fax: (852) 2810 8185

## SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

During the Current Year, there is no change in the Company's constitutional documents.

# Directors' Report

The Directors present this annual report and the audited consolidated financial statements of the Company for the year end 31 March 2023.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, the principal activities of the subsidiaries of the Company are set out in note 1 to the consolidated financial statements. Save as disclosed, there were no significant changes in the nature of the Company's principal activities during the Current Year.

## RESULTS AND DIVIDENDS

The results of the Company for the Current Year are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 63 to 64 of this annual report.

The Board did not recommend the payment of any dividend for the Current Year (2022: nil).

## BUSINESS REVIEW

A fair review and the likely future development of the Company's business are set out in the "Chairman's Statement" section from pages 3 to 4 of this report. A discussion and analysis of the Company's performance during the Current Year, important events occurred after the reporting period are set out in the Management Discussion and Analysis from pages 5 to 13 of this report. Description of the principal risks and uncertainties facing the Company are set out in the Corporate Governance Report of this report and notes to the consolidated financial statements respectively.

## RELATIONSHIP WITH STAKEHOLDERS

The Company recognises that employees, customers and business partners are key to its sustainable development. The Company is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace, promotes diversity to our staffs, and provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Company also puts ongoing efforts to provide adequate training and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfilment in their positions.

The Company understands that it is important to maintain good relationship with customers and provide the products and services in a way that satisfies the needs and requirements of the customers. The Company enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Company can respond proactively. The Company has also established procedures in place for handling customers' complaints to ensure they are dealt with in a prompt and timely manner.

The Company is also dedicated to develop and maintain good and long term relationships with suppliers and contractors to ensure stability of the Company's business.

## PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

The Company's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. There may be other risks and uncertainties which are not known to the Company or which may not be material now but could turn out to be material in the future.

# Directors' Report

A substantial portion of the operating assets of the Company is located in the PRC and the Company expects that a material portion of the turnover will continue to be derived from the operations in the PRC. The results of operations and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, the growth rate, and government control of foreign exchange. The Company cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any material adverse effect on the current or future business, results of operation or financial condition of the Company.

Description of the principal risks and uncertainties that the Company is facing are set out in the Management Discussion and Analysis section, the financial risk management of the Company is set out in note 37 to the consolidated financial statements.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholder(s) to attend and vote at the 2023 AGM to be held on Friday, 25 August 2023, the register of members of the Company will be closed from Monday, 21 August 2023 to Friday, 25 August 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong for registration not later than 4:30 p.m. on Friday, 18 August 2023.

## FIVE YEAR SUMMARY

A summary of the published consolidated results and of the assets and liabilities of the Company for each of the five financial years is set out on page 146 of the annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movement in the Company's property, plant and equipment during the Current Year are set out in note 12 to the consolidated financial statements.

## ISSUED CAPITAL

Details of share capital of the Company are set out in note 28 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of the Company or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

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

During the Current Year, a total of 20,999,040 shares of the Company (the "**Shares**") were transferred from the name of a borrower and a margin client (the "**Clients**") to the 60.42%-owned subsidiaries of the Company due to the foreclosure of relevant receivables from the money lending business and securities brokerage business in the ordinary course of business. Pursuant to the arrangement between the Clients, the Company shall process the Shares on behalf of Clients when certain conditions are satisfied.



# Directors' Report

China Hong Kong Capital Finance Limited (“**CHK CFL**”), a 60.42% owned subsidiary of the Company with valid money lenders licence under the Money Lenders Ordinance in Hong Kong, exercised the collateral under a loan agreement due to the default of a borrower, 15,920,000 shares of the Company have been transferred from the name of the borrower to the money lending company in the ordinary course of the business pursuant to the loan agreement entered between CHK CFL and the borrower, Dr. Kan, the substantial shareholder of the Company has undertaken that the Company reserves the right to execute a reimbursement receivable on the loan principal and interest if the borrowers fail to repay. CHK CFL shall return the shares to relevant party upon the recovery of the loan receivable or reimbursement receivable from the borrower or Dr. Kan. 5,079,040 shares from the foreclosure of a margin client that have been taken into possession by CHK CAM in the securities brokerage business are pending to sale as soon as practicable pursuant to the terms agreed between CHK CAM and the margin client. Details of movement in the Company's treasury shares during the Current Year are set out in note 29 to the consolidated financial statements.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Current Year.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2023, the Company did not have any reserves available for distribution (2022: HK\$92,503,000). The Company's reserves available for distribution to shareholders represent the aggregate of share premium, special reserve and accumulated losses, calculated in accordance with the Companies Law (Law 3 of 1961, as consolidated and revised) 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 Articles 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 the Company 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 earnings. Details of the reserves of the Company as at 31 March 2023 are set out in note 39 to the financial statements.

## MAJOR CUSTOMER AND SUPPLIER

During the Current Year, sales to the Company's five largest customers accounted for approximately 51.7% of the total revenue and sales to the largest customer included therein amounted to approximately 20.7%.

Purchases from the Company's five largest suppliers accounted for approximately 62.8% of the total purchases for the Current Year and purchases from the largest suppliers included therein amounted to approximately 43.9%.

None of the Directors or any of their respective associate(s) or any shareholders of the Company (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Company's five largest customers or five largest suppliers.

## DIRECTORS

The Directors during the Current Year and up to the date of this annual report were:

### 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.  
Mr. Xiao Cong (appointed on 23 May 2022)

# Directors' Report

## Independent Non-Executive Directors:

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

In accordance with Article 87(1) of the Articles of the Company, at each annual general meeting, at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Mr. Chow Ching Ning, Mr. Simon Murray and Dr. Lam, Lee G. shall retire by rotation at the 2023 AGM and they, being eligible, have offer themselves for re-election.

None of the Directors proposed for re-election at the 2023 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 14 to 16 of the annual report.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company currently has three independent non-executive Directors, which number meets the minimum requirement of the Listing Rules that the number of independent non-executive directors must represent at least one-third of the Board.

The Company has received a written confirmation of independence from each of the independent non-executive Directors, and considers them to be independent as required under Rule 3.13 of the Listing Rules.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the Current Year, other than service contracts with the Directors and other persons engaged in the full-time employment of the Company.

## PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles, the Directors, secretary and other officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in the execution of their duty. The Company has taken out and maintained directors' and officers' liability insurance throughout the Current Year and up to the date of this report, which provides appropriate cover for certain legal actions (if any) brought against its Directors and officers.

## RELATED PARTY TRANSACTIONS

Details of related party transactions of the Company during the Current Year entered into by the Company in the ordinary and usual course of business and on normal commercial terms are set out in note 34 to the consolidated financial statements. Each of the related party transactions during the Current Year constitutes a connected transaction or continuing connected transaction but is fully exempted and not subject to any of the disclosure requirements under Chapter 14A of the Listing Rules.

# Directors' Report

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save for the transactions disclosed in the paragraph headed "Related Party Transactions" set out in note 34 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 Company and a controlling Shareholder of the Company during the year.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 31 March 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance as recorded in the register required to be kept 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:

### Directors' Interests and Short Positions in Shares, Underlying Shares and Debenture of the Company

Name of Directors	Capacity nature of interests	Long position/ Short position	Number of Ordinary shares held	Approximate percentage of shareholding <i>(Note 1)</i>
Dr. Kan Che Kin, Billy Albert	Beneficial owner and interests in controlled corporation	Long position	3,579,221,139 <i>(Note 2)</i>	63.42%
		Short position	169,543,940	3.00%
Mr. Li Kai Yien	Beneficial owner	Long position	200,000	0.01%
Mr. Simon Murray	Beneficial owner	Long position	5,000,000 <i>(Note 3)</i>	0.09%
Dr. Lam, Lee G.	Beneficial owner	Long position	10,000,000 <i>(Note 3)</i>	0.18%

Notes:

- Based on 5,643,797,090 shares of the Company in issue as at 31 March 2023.
- 5,000,000 shares among these 3,579,221,139 shares are held by Ground Up Profits Limited ("**Ground Up**"). Dr. Kan beneficially owns the entire issued share capital of Ground Up, which in turn beneficially owns 63.42% of the shareholding in the Company. Dr. Kan is the chairman, an executive Director and chief executive officer of the Company. Dr. Kan is also a director of Ground Up.
- 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 entered between Dr. Kan and each of Mr. Murray and Dr. Lam. Mr. Murray and Dr. Lam are non-executive Directors of the Company. Details of share options held by the Directors are shown in the section "Share Option Scheme" below.

# Directors' Report

## Directors' Interests in ordinary shares of Associated Corporation

Name of Director	Name of associated corporation	Nature of interests	Number of Shares interested	Percentage issued voting share
Dr. Kan Che Kin, Billy Albert	Key Fit Group Limited	Beneficial owner	69,982,878	10.00%

Note: Key Fit Group Limited is a 60.42%-owned subsidiary of the Company, those shares were beneficially owned by Dr. Kan.

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 2023.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "Share Option Scheme" and "Directors' and Chief Executive's Interests in the Shares, Underlying Shares and Debentures of the Company and Any Associated Corporation" in this annual report, at no time during the Current Year was the Company or any of its holding companies or subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Current Year and up to the date of this report, none of the Directors and directors of the Company's subsidiaries or their respective associates had any interests in any businesses, apart from the Company's business, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

## SHARE OPTION SCHEME

The existing share option scheme (the "**Share Option Scheme**") was adopted by the Company on 30 August 2019, the purpose of which is to incentivize and reward eligible participants for their contribution to the Company and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, after which period no further options will be granted under the Share Option Scheme but the provisions of the Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto.

Eligible participants under the Share Option Scheme include, among others, employees, Directors, customers, advisors, consultants, suppliers or service providers of the Company, who may be invited by the Directors to take up options as referred to the Share Option Scheme.

# Directors' Report

Details of the Share Option Scheme are as follows:

- (a) The maximum number of ordinary shares issuable upon exercise of the share options (the **"Share Options"**) which may be granted under the Share Option Scheme and any other share option scheme of the Company (if any) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company. Any further grant of Share Options in excess of this limit is subject to shareholders' approval in a general meeting.
- (b) The exercise period of the Share Options granted is determinable by the Board, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the Share Options or other expiry date(s) stipulated in the Share Option Scheme, whichever is the earlier.
- (c) The exercise price of the Share Options is determinable by the Board but may not be less than 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 the offer; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or (iii) the nominal value of the Company's shares.

Further details in relation to Share Options are set out in note 30 to the consolidated financial statements, details of the movements of the Share Options during the Current Year under the Share Option Scheme are as follows:

		Number of Share Options							
	Date of grant	As at 1 April 2022	Granted during the year	Exercised During the year	Lapsed/ Cancelled during the year	As at 31 March 2023	Vesting and exercise period <sup>(Note 1)</sup>	Exercise Price HK\$	
<b>Director</b>									
Dr. Kan Che Kin, Billy Albert	31 December 2019	5,640,000	-	-	-	5,640,000	Option A	0.53	
	16 July 2021	100,000,000	-	-	-	100,000,000	Option D	0.50	
<b>Employees</b>									
Mr. Wong Guoliang	31 December 2019	20,000,000	-	-	-	20,000,000	Option A	0.53	
	31 March 2021	20,000,000	-	-	-	20,000,000	Option C	0.50	
Ms. Chan Mui	24 January 2022	1,000,000	-	-	-	1,000,000	Option F	0.50	
	26 April 2022	-	3,000,000	-	-	3,000,000	Option G	0.50	
Other 23 employees	31 March 2021	8,450,000	-	-	(4,400,000)	4,050,000	Option C	0.50	
	30 September 2021	8,700,000	-	-	(7,500,000)	1,200,000	Option E	0.50	
		163,790,000	3,000,000	-	(11,900,000)	154,890,000			

# Directors' Report

Notes:

1. Vesting and exercise period for above share options granted are as follows:

Option A	From 31 December 2019 to 31 December 2029
Option C	From 31 March 2021 to 31 March 2031
Option D	From 16 July 2021 to 16 July 2031
Option E	From 30 September 2021 to 30 September 2031
Option F	From 24 January 2022 to 24 January 2032
Option G	From 26 April 2022 to 26 April 2032

2. Subject to the rules of the Share Option Scheme, the Share Options are exercisable in the following manner for a period from the date of the acceptance of the Share Options to 10 years from the date of grant:

<b>Percentage of the Share Options that are vested and exercisable</b>	<b>Period for the exercise of the relevant Share Options</b>
The first 30% (i.e. up to 30% in total)	on the second-year anniversary from the date of grant
Additional 30% (i.e. up to 60% in total)	on the third-year anniversary from the date of grant
Additional 40% (i.e. up to 100% in total)	on the fourth-year anniversary from the date of grant

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors confirmed that they have fully complied with the Model Code during the Current Year.

## REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

## INTEREST-BEARING BANK AND OTHER BORROWINGS

Particulars of interest-bearing bank and other borrowings of the Company as at 31 March 2023 are set out in notes 25 and 26 to the consolidated financial statements.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, throughout the Current Year and as at the date of this annual report, the Company has maintain sufficient public float as prescribed under the Listing Rules.

## CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code as stated in Appendix 14 of the Listing Rules for the Current Year. Further information on the Company's corporate governance practices is set out in the "Corporate Governance Report" section contained in the annual report.

## ENVIRONMENTAL POLICY

The Company is committed to supporting environmental sustainability and maintaining sustainable working practices and pays close attention to ensure all resources are efficiently utilized. The Company strives to become an environmental friendly corporation by saving electricity and encouraging the recycling of office supplies and other materials. Details of the Company's environmental policy and performance are set out in the "Environmental, Social and Governance Report" section contained in this annual report.

# Directors' Report

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Current Year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Company that has a significant impact on the Company.

## AUDITOR

The consolidated financial statements of the Company for the Current Year have been audited by McMillan Woods (Hong Kong) CPA Limited, who will retire and, being eligible, offer themselves for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board

**Kan Che Kin, Billy Albert**

*Chairman*

Hong Kong 30 June 2023

# Environmental, Social and Governance Report

## INTRODUCTION

This Environment, Social and Governance Report (the “**ESG Report**”) summarises 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 solutions provider, the Group endeavors to develop retail, trading and transportation businesses which leverage the safety, reliability and cleanliness of LNG as an energy source in 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 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 through relevant key performance indicators (“**KPIs**”) in various aspects, such as environment, health and safety, labour standards and product responsibility, to review progress against the ESG targets and goals set. The Board sets the general direction of the Group’s ESG strategy and ensures the effectiveness of ESG risk management and internal control mechanism. With the assistance of the Taskforce, the Board evaluates, prioritises and manages material ESG-related issues by conducting regular materiality assessment.

## 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. This business segment represents 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. The ESG Report adhered to the reporting principles set out in the ESG Reporting Guide as follows:

Materiality	Key ESG issues are identified through materiality assessment, the processes and results of which are disclosed in the part of “Stakeholder Engagement and Materiality Assessment” in the ESG Report.
Quantitative	Supplementary notes have been added to the data disclosed in the ESG Report to explain the standards, methods, and sources of conversion factors used in the calculation of emissions and energy consumption.
Consistency	Consistent methodologies were adopted to allow meaningful comparisons of ESG data where applicable.

Information relating to the Group’s corporate governance practices has been set out in the Corporate Governance Reporting on pages 17 to 29 of this annual report.



# Environmental, Social and Governance Report

## REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the period from 1 April 2022 to 31 March 2023 (the “**Current Year**” or “**2023**”).

## 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	<ul style="list-style-type: none"> <li>Regular board meetings</li> <li>Daily communications and reporting</li> <li>Corporate sustainable development</li> </ul>	<ul style="list-style-type: none"> <li>Compliant operations</li> <li>Financial results</li> </ul>
Shareholders, institutional and individual investors	<ul style="list-style-type: none"> <li>Annual general meeting and notices</li> <li>Regular corporate publications (including financial statements)</li> <li>Circulars and announcements wherever necessary</li> <li>Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>Compliant operations</li> <li>Financial results</li> <li>Corporate sustainable development</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Training activities</li> <li>Team building activities</li> <li>Regular performance assessment</li> <li>Staff meetings</li> <li>Daily communications and reporting</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of policies</li> <li>Compliance with rules and laws</li> <li>Tax payment as required by law</li> <li>Business ethics</li> <li>Community participation</li> </ul>
Government and regulatory authorities	<ul style="list-style-type: none"> <li>Daily communications and reporting</li> <li>Compliance management</li> <li>Self-tax-reporting</li> <li>Information disclosure</li> <li>Written communications wherever necessary</li> </ul>	<ul style="list-style-type: none"> <li>Regular employee training</li> <li>Strengthen anti-corruption work</li> <li>Compliance with laws and regulations</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Customer activities</li> <li>Satisfaction questionnaire</li> <li>Telephone and face-to-face meetings</li> </ul>	<ul style="list-style-type: none"> <li>Customer information and privacy protection</li> <li>Business integrity and ethics</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Meetings</li> <li>On-site inspection</li> <li>Regular assessment</li> <li>Exchange and mutual visits</li> </ul>	<ul style="list-style-type: none"> <li>Fair competition</li> <li>Business ethics and reputation</li> <li>Product quality</li> <li>Cooperation with mutual benefits</li> </ul>
Communities	<ul style="list-style-type: none"> <li>Promoting employment</li> <li>Community activities</li> <li>Community investments</li> </ul>	<ul style="list-style-type: none"> <li>Compliant operations</li> <li>Promoting community development</li> <li>Environmental protection</li> </ul>

# Environmental, Social and Governance Report

Stakeholders	Communication channels	Expectations and demands
Media	<ul style="list-style-type: none"> <li>• Corporate website</li> <li>• Circulars and announcements</li> </ul>	<ul style="list-style-type: none"> <li>• Compliant operations</li> <li>• Promoting community development</li> <li>• Environmental protection</li> <li>• Business ethics</li> <li>• Health and safety</li> </ul>
Non-governmental organisations	<ul style="list-style-type: none"> <li>• Corporate website</li> <li>• Circulars and announcements</li> </ul>	<ul style="list-style-type: none"> <li>• Promoting community development</li> <li>• Environmental protection</li> <li>• Health and safety</li> </ul>

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 reviewing its operations, identifying relevant ESG issues, and assessing 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

<ul style="list-style-type: none"> <li>• Exhaust gas emissions</li> <li>• Waste management</li> <li>• Providing alternative energy options</li> <li>• Climate Change</li> </ul>	<ul style="list-style-type: none"> <li>• Greenhouse gas ("GHG") emissions</li> <li>• Energy management</li> <li>• Prevention of construction pollution</li> </ul>	<ul style="list-style-type: none"> <li>• Sewage treatment</li> <li>• Water resources management</li> <li>• Environmental protection activities</li> </ul>
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------

### Social

<ul style="list-style-type: none"> <li>• Employment, promotion and dismissal</li> <li>• Employee care</li> <li>• Training management</li> <li>• Supply chain management</li> <li>• Internal audit system</li> </ul>	<ul style="list-style-type: none"> <li>• Remuneration and benefits</li> <li>• Safety management system</li> <li>• Prevention of forced labour</li> <li>• Customer service and privacy</li> <li>• Corporate social responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>• Equal opportunities, Diversity and Anti-discrimination</li> <li>• Safety training</li> <li>• Prevention of child labour</li> <li>• Product safety</li> </ul>
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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 in the future, 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.

# Environmental, Social and Governance Report

## 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 recognises the importance of environmental management, and strives to protect the environment as part of its social responsibility commitment.

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 Current Year, 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.

During the Current Year, the fuel mix of vehicle consumption has been changed and the data recording has been expanded, which leads to the increase in some exhaust gas emissions. The Group's exhaust gas emissions from vehicles performance summary was as follows:

Types of exhaust gas	Unit	2023	2022
Sulphur Oxides	tonnes	0.002	0.1
Nitrogen Oxides	tonnes	46.7	9.2
Particulate Matter	tonnes	3.4	0.7

# Environmental, Social and Governance Report

## 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.

The Group has sets a target to reduce the total GHG emissions intensity per revenue in five years from 2022. However, due to the decrease in the intensity base, the GHG emissions intensity is higher than last year. The Group will continue to keep track on the KPI and expects to achieve this target through continuous review of the above energy saving measures in the future.

During the Current Year, the Group's GHG emissions performance summary was as follows:

Indicator <sup>1</sup>	Unit	2023	2022
Direct GHG emissions (Scope 1)			
– Fuel combustion of vehicles	tCO <sub>2</sub> e	5,090.3	3,406.0
Energy indirect GHG emissions (Scope 2)			
– Purchased electricity	tCO <sub>2</sub> e	168.6	68.9
Total GHG emissions (Scope 1 and 2)	tCO <sub>2</sub> e	5,258.9	3,474.9
Total GHG emissions intensity <sup>2</sup>	tCO <sub>2</sub> e/million HKD revenue	24.8	9.9

Note:

- 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, AP 42, Fifth Edition, Volume I Chapter 1: External Combustion Sources issued by United States Environmental Protection Agency, and "2006 IPCC Guidelines for National Greenhouse Gas Inventories Volume 2 Energy" issued by the Intergovernmental Panel on Climate Change.
- As at 31 March 2023 and 31 March 2022, the revenue of the Group's sales and distribution of LNG services amounted to approximately HK\$211.8 million and HK\$431.9 million respectively. 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, centralises 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.

# Environmental, Social and Governance Report

## Hazardous waste

Despite that the Group did not dispose significant hazardous waste during its operation, limited amount of lubricant oil used in vehicle maintenance, including engine, brake, automatic transmission and gear lubricants, was generated during the vehicle's 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 minimises and avoid the use of harmful materials during operations.

## 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 nonhazardous 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, centralise 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, vehicle parts, papers and general wastes 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.

The Group has sets a target to reduce the total waste disposal intensity per revenue in five years from 2022. However, due to the decrease in the intensity base, the total waste disposal intensity is higher than last year. The Group will continue to keep track on the KPI and review the above wastes reduction measures to achieve the target.

# Environmental, Social and Governance Report

During the Current Year, the Group's non-hazardous waste disposal performance summary was as follows:

Types of non-hazardous waste	Unit	2023	2022
Paper	tonnes	0.8	0.7
General waste	tonnes	48.0	3.0
Tyres	tonnes	5.5	16.5
Total non-hazardous waste	tonnes	54.3	20.2
Total non-hazardous waste intensity	tonnes/million HKD revenue	0.3	0.1

## 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 minimise 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 specialised 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:

- To reduce energy consumptions by raising the employees' awareness in aspects such as energy consumption, paper use, and greenhouse gas emissions; and
- Switch off computers (host or monitor) when employees are away for extended periods, and switch them to standby or sleep mode during lunch breaks.

In addition, after office hours, the Group has designated the administrative department to check whether all of the electronic devices in the office has been properly switched-off, warning or penalty may be apply to any individuals who fails to comply with the policy;

- 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;
- 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.

# Environmental, Social and Governance Report

The Group has sets a target to reduce the total energy consumption intensity per revenue in five years from 2022. The target is on track during the Current Year where the total energy consumption intensity is lower than last year. The Group will continue to keep track on the KPI and expects to achieve this target through continuous review of the above energy saving measures in the future.

During the Current Year, the Group's energy consumption performance summary was as follows:

Energy Type	Unit	2023	2022
Direct energy consumption	MWh	<b>25,742.9</b>	86,952.4
• LNG	MWh	<b>4,508.5</b>	86,952.4
• LPG	MWh	<b>20,975.6</b>	–
• Petrol	MWh	<b>156.9</b>	–
• Diesel	MWh	<b>101.8</b>	–
Indirect energy consumption	MWh	<b>276.3</b>	81.0
• Purchased electricity	MWh	<b>276.3</b>	81.0
Total energy consumption	MWh	<b>26,019.2</b>	87,033.4
Total energy consumption intensity	MWh/million HKD revenue	<b>122.8</b>	248.7

## 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 utilise 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”;
- 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; and
- Water conservation information and reminders are posted in sink areas.

The Group has set a target to reduce the total water consumption intensity per revenue in five years from 2022. However, due to the decrease in the intensity base, the water consumption intensity is higher than last year. The Group will continue to keep track on the KPI and expects to achieve this target through continuous review of the above water saving measures in the future.

# Environmental, Social and Governance Report

During the Current Year, the Group's water performance summary was as follows:

	Unit	2023	2022
Total water consumption	m <sup>3</sup>	4,382.0	3,042.0
Total water consumption intensity	m <sup>3</sup> /million HKD revenue	20.69	8.7

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 produces any finished product, nor possesses 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. 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 optimisation 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 minimise their harmful effect on the local environment. During construction, the Group adopts measures such as cleaning vehicle tyres, centralising disposal of waste water and mud and applying sound absorption and insulation techniques to minimise air, water and noise pollution.

### Promotion of Environmental Protection Activities

The Group actively organises 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.



# Environmental, Social and Governance Report

## A4. Climate Change

The awareness of the public about climate change is increasing in the recent decades. The Group recognises the importance of identifying and mitigating significant climate-related issues and pays close attention to the potential impact of climate change on the Group's business and operations and is committed to managing potential climate-related risks that may affect the Group's business activities. According to the reporting framework developed by Task Force on Climate-related Financial, climate-related risks are categorised into two main types, namely physical and transition risks. The Group has incorporated climate change-related risks into its enterprise risk management to identify and mitigate potential risks.

### Physical Risks

An increase in the frequency and severity of extreme weather events, such as typhoons, storms, heavy rainfall, extreme cold or extreme heat, would create immediate and long-term physical risks to the Group's business. Extreme weather events could threaten the personal safety of our employees and damage the operational sites or power grid, resulting in reduced capacity and productivity or exposing the Group to the risk of non-performance and delay in performance, which could have a direct negative impact on the Group's revenue.

To minimise potential risks and hazards, the Group has put in place countermeasures, including flexible working arrangements and precautions in the event of severe or extreme weather conditions, as well as purchasing insurance against property loss. We will explore contingency plans to further avoid damage to our facilities due to extreme weather events in order to enhance business stability.

### Transition Risks

In line with the global carbon neutrality vision, the Group anticipates regulatory, technological, and market changes resulting from climate change, including amendments to national policies and listing rules and the introduction of environmental-related taxes. More stringent environmental laws and regulations may expose companies to higher claims and litigation risks, potentially incurring additional compliance costs and affecting the Group's reputation.

To address policy and legal risks as well as reputational risks, the Group continuously monitors any changes in laws or regulations and global trends in climate change to avoid increased costs, fines for non-compliance or reputational risks due to delayed response. In addition, the Group has been taking comprehensive measures to protect the environment, including measures aimed at reducing greenhouse gas emissions, and has set targets to gradually reduce our energy consumption and GHG emissions in the future. For further details, please refer to the section headed "GHG Emissions".

## 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 Current Year, the Group was not aware of any material non-compliance with laws and regulations relating to working house, rest period, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

# Environmental, Social and Governance Report

As at 31 March 2023, the Group had a total of 336 employees, which breakdown as follows:

	Employee number
<b>By Gender</b>	
Male	233
Female	103
<b>By Age Group</b>	
Aged under 30	37
Aged 30 to 50	220
Aged above 50	79
<b>By Geographical Region</b>	
PRC	323
Hong Kong	13
<b>By Employment Type</b>	
Full-time	336
Part-time	–

During the Current Year, the Group's employee turnover rate by gender, age group, and geographical region were shown as below:

	Turnover rate
<b>By Gender</b>	
Male	52%
Female	41%
<b>By Age Group</b>	
Aged under 30	30%
Aged 30 to 50	56%
Aged above 50	36%
<b>By Geographical Region</b>	
PRC	50%
Hong Kong	–

## 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.

# Environmental, Social and Governance Report

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', 'passes' 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 5 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.

# Environmental, Social and Governance Report

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, Diversity and Anti-discrimination

The Group has made solid progress in human resources development and management. It has promoted standardisation, professionalism, marketisation and globalisation of its talent pool, and strengthened its human resources management in order to further enhance the training of talents. 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.

# Environmental, Social and Governance Report

## 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 emphasizes 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 standardisation 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 Current Year, the Group was not aware of any material non-compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.

During the Current Year, the Group recorded 62 lost days due to work injury. We have achieved three consecutive years of zero work-related fatalities. The Group shall continue to provide a safe and healthy work environment for the employees.

### 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”. 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 Group.

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.

# Environmental, Social and Governance Report

## 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 programs for its employees.

To ensure the effectiveness of the training program, 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 trends, product trends and customer behavior. 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.

During the Current Year, the Group has achieved a total training hour of 9,240 hours. The tables below show the employee training data by gender and employee category:

	Percentage of employees trained (%)	Average training hours (hours)
<b>By Gender</b>		
Male	74.9%	29.7
Female	25.1%	22.6
<b>By Employee Category</b>		
Administrative staff and operating staff	30.2%	28.6
LNG truck drivers	60.0%	29.7
Technical staff	1.4%	32.0
Managerial staff	7.4%	24.0
Marketing staff	0.9%	6.4

## 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 Current Year, the Group was not aware of any material non-compliance with laws and regulations relating to child and forced labour.

# Environmental, Social and Governance Report

## 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 on all our major suppliers. 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 of the above aspects. To achieve sustainable development in terms of supply chain management, procurement of eco-friendly products is given priority where possible and economically viable. The Group has been closely working with our suppliers to strengthen our sustainability portfolio and minimise environmental and social risks throughout the supply chain and is committed to promoting sustainable and responsible operational standards. The Group prefers local suppliers whenever possible to reduce carbon emissions from transportation and to support the local economy. During the Current Year, the Group worked with 82 major suppliers, all of which were located in PRC.

# Environmental, Social and Governance Report

## **B6. Product Responsibility**

The Group attaches great importance to its product quality and corporate reputation. We actively safeguard the quality of our products and service with our internal control process. The Group also maintains ongoing communication with its customers to ensure understanding and satisfaction of their demands and expectations, as well as to constantly improve 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 Current Year, 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.

During the Current Year, the Group did not receive any cases of product or service-related complaints.

### **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.

Due to the Group's business nature, product recalling is not applicable.

### **Advertising, Labelling and Intellectual Property Rights**

Based on the nature of the business of the Group, the Group has limited issues regarding intellectual property rights. Besides, the Group only conducts limited publicity campaigns, therefore the Group's business operations do not involve significant advertising and label related risks.



# Environmental, Social and Governance Report

## B7. Anti-corruption

In accordance with the “Corporate Governance Code” of the Stock Exchange of Hong Kong, 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 Execution Committee and issued the “Internal Audit Management System of China LNG Group Limited”. The Group has also incorporated the whistle-blowing policy into our Employee Handbook to encourage employees to report any malpractice and misconduct. The policy describes our commitment to whistle-blower protection and our complaint initiation and investigation procedures.

Due to COVID-19 pandemic, limited anti-corruption training were arranged for directors and employees during the Current Year.

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 Current Year, the Group was not aware of any material non-compliance with laws and regulations relating to bribery, extortion, fraud and money laundering. During the Current Year, there is no legal cases regarding corrupt practices brought against the Group or its employees.

### 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 the 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 works handover of senior management of the Company during their term of office, and the implementation of economic responsibility audits during the term of office.

# Environmental, Social and Governance Report

## B8. Community Investment

### Corporate Social Responsibility

The Group takes an active stance on assuming corporate responsibility in order to enhance its corporate responsibility awareness and 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 endeavor to achieve the goal of “Tackling Smog, Improving the Environment” by disclosing relevant information to the public:

#### **(1) Integrating the concept of environmental protection into our business that aligns with national policy**

The Group has responded to the state’s environmental protection policy, promoted the effective utilisation of natural gas, 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) Practicing corporate social responsibility through the establishment of public association and communication with stakeholders**

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 the natural environment. The above efforts demonstrated the Group’s dedication to “Tackling Smog, Improving the Environment”.

# Independent Auditor's Report



**McMillanWoods**

Professionalism at the forefront

## TO THE MEMBERS OF CHINA LNG GROUP LIMITED

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

### OPINION

We have audited the consolidated financial statements of China LNG Group Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages 63 to 145, which comprise the consolidated statement of financial position as at 31 March 2023, 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 2023, 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\$180,987,000 for the year ended 31 March 2023 and as of that date, the Group had net current liabilities of HK\$494,775,000. 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

## KEY AUDIT MATTERS *(continued)*

### Key audit matter

### How our audit addressed the key audit matter

#### *Impairment of receivables under expected credit losses model*

As at 31 March 2023, the gross amounts of LNG finance lease receivables, loan receivables, accounts receivables arising from LNG business and dealing in securities with cash client and margin client and other receivables are HK\$37,432,000 (note 19), HK\$142,431,000 (note 20), HK\$37,886,000 (note 21), HK\$317,000 (note 21) and HK\$3,787,000 (note 21) and HK\$30,289,000 (note 21) respectively.

During the year ended 31 March 2023, reversal of impairment of HK\$963,000, impairment of HK\$4,515,000, impairment of HK\$1,447,000, reversal of impairment of HK\$386,000 and reversal of impairment of HK\$840,000 were made against LNG finance lease receivables, loan receivables, accounts receivables arising from LNG business, and dealing in securities with margin client and other receivables, respectively by management.

Significant judgement and estimation by management are involved in the assessment of impairment by taking into account, historical default rates and credit losses experience, forward-looking information, discount rates and 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 related disclosures for these receivables are included in notes 2.4, 2.5, 19, 20, 21 and 37 to the consolidated financial statements.

Our audit procedures in relation to impairment of those receivables under expected credit losses model included:

- Reviewing management's assessment of the overall policies and procedures and understanding the controls in relation to expected credit losses model for estimating impairment provisions and assessing the appropriateness of the model applied by the management;
- Enquiring with management to understand how the management performed the assessment on the estimated provision of ECL of the receivables;
- Evaluating the competence, capabilities and objectivity of the independent qualified professional valuer engaged by the Group in assisting the Group on the impairment of receivables;
- With the assistance of auditor's expert, assessing the appropriateness of the expected credit losses provisioning methodology;
- Examining the aging analysis of the receivables, relevant agreements, court judgement, and notices, as well as information available in the market to assess the appropriateness of the management's basis and assumptions used in assessing the impairment. This is done by corroborating the credit profile of respective debtors with the probability of default rates, loss given default rates and market data;
- Challenging the assumptions, including the forward-looking information and the probability weighting, used to determine the expected credit losses;
- Checking the subsequent settlements to relevant bank records on a sample basis; and
- Assessing the appropriateness and adequacy of the disclosures made in the consolidated financial statements.

# Independent Auditor's Report

## KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of non-financial assets of LNG business</i></p> <p>We identified the impairment assessment of non-financial assets of LNG business (the “<b>LNG CGU</b>”) as a key audit matter owing to the significance of the carrying amount of the CGU and the significant estimates made by the management in determining the recoverable amounts of the CGU, including the cash flows projections, growth rate and discount rate as disclosed in Note 13 to the consolidated financial statements.</p> <p>During the year, no impairment was made by the management.</p> <p>The accounting policies, accounting judgements and estimates and the related disclosures are included in notes 2.4, 2.5 and 13 to the consolidated financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>• Evaluating management’s methodology for impairment assessment of non-financial assets and corroborating the discount rate and growth rate used based on the market information;</li><li>• Evaluating the discounted cash flows prepared by the management in deriving the recoverable amounts of the CGU for the impairment assessment by checking the mathematical accuracy of discounted cash flow calculation, assessing the reasonableness of the key assumptions adopted by the management in the model with reference to the Group’s historical performances and external market data;</li><li>• Performing sensitivity analysis; and</li><li>• Assessing the appropriateness and adequacy of the disclosures made in the consolidated financial statements.</li></ul>

## OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2022 were audited by another auditor who expressed an unmodified opinion on these statements on 28 June 2022.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor’s report thereon.

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

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

# Independent Auditor's Report

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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, we report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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 judgment and maintain professional skepticism throughout the audit. We also:

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

# Independent Auditor's Report

## 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 those charged with governance 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 those charged with governance 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, 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.

### **McMillan Woods (Hong Kong) CPA Limited**

*Certified Public Accountants*

### **Wong Ka Bo, Jimmy**

*Audit Engagement Director*

*Practising Certificate Number P07560*

24/F., Siu On Centre  
188 Lockhart Road  
Wan Chai  
Hong Kong

30 June 2023

# Consolidated Statement of Profit or Loss

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
REVENUE	4	211,850	432,547
Cost of sales		(227,951)	(466,673)
Gross loss		(16,101)	(34,126)
Other income and other gains and losses, net	4(ii)	1,180	7,750
Selling and distribution expenses		(8,378)	(11,939)
Administrative expenses		(123,393)	(124,602)
Reversal of impairment under expected credit losses model, net	5	742	10,318
Impairment of non-financial assets	13	–	(33,470)
(Impairment)/reversal of impairment of interests in associates	17	(205)	1,904
Finance costs	6	(34,859)	(11,101)
Share of result of joint ventures		(1,830)	(1,607)
Share of result of an associate		–	(2,626)
LOSS BEFORE TAX	5	(182,844)	(199,499)
Income tax credit/(expense)	9(a)	1,857	(69)
LOSS FOR THE YEAR		(180,987)	(199,568)
Loss for the year attributable to:			
Owners of the Company		(167,194)	(198,790)
Non-controlling interests		(13,793)	(778)
		(180,987)	(199,568)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
– Basic		(HK2.96 cents)	(HK3.52 cents)
– Diluted		(HK2.96 cents)	(HK3.52 cents)



# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	2023 HK\$'000	2022 HK\$'000
LOSS FOR THE YEAR	<b>(180,987)</b>	(199,568)
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations of:		
– subsidiaries	<b>(57,437)</b>	56,151
– joint ventures	<b>(381)</b>	147
– an associate	–	1
Reclassification of cumulative exchange reserve upon disposal of a subsidiary	–	(3,688)
	<b>(57,818)</b>	52,611
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	<b>(238,805)</b>	(146,957)
Total comprehensive expense attributable to:		
Owners of the Company	<b>(221,070)</b>	(157,370)
Non-controlling interests	<b>(17,735)</b>	10,413
	<b>(238,805)</b>	(146,957)

# Consolidated Statement of Financial Position

At 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	<b>447,921</b>	506,771
Other intangible assets	14	<b>4,131</b>	5,416
Right-of-use assets	15	<b>105,937</b>	135,820
Interests in joint ventures	16	<b>76,548</b>	77,746
Interests in an associate	17	<b>–</b>	222
Deposits for acquisition of plant and equipment		<b>116,089</b>	124,989
Deposits for acquisition of land use rights		<b>46,165</b>	49,186
Other assets	12	<b>298,426</b>	322,069
Statutory deposits		<b>200</b>	200
Total non-current assets		<b>1,095,417</b>	1,222,419
<b>CURRENT ASSETS</b>			
Inventories	18	<b>9,033</b>	9,958
LNG finance lease receivables	19	<b>10,433</b>	10,217
Loan and reimbursement receivables	20	<b>112,787</b>	118,302
Accounts and other receivables, prepayments and deposits	21	<b>77,932</b>	198,229
Financial assets at fair value through profit or loss		<b>4</b>	3
Bank balances held on behalf of clients	22	<b>608</b>	995
Cash and cash equivalents	23	<b>31,769</b>	26,601
Total current assets		<b>242,566</b>	364,305
<b>CURRENT LIABILITIES</b>			
Accounts payables	24	<b>131,342</b>	147,156
Other payables and accruals	25	<b>506,898</b>	471,873
Interest-bearing bank borrowings	26	<b>88,323</b>	49,706
Lease liabilities	27	<b>4,762</b>	77,133
Tax payable		<b>6,016</b>	1,026
Total current liabilities		<b>737,341</b>	746,894
NET CURRENT LIABILITIES		<b>(494,775)</b>	(382,589)
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>600,642</b>	839,830

# Consolidated Statement of Financial Position

At 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Loans from a shareholder	25	<b>476,430</b>	466,930
Interest-bearing bank borrowings	26	<b>26,684</b>	46,452
Lease liabilities	27	<b>1,159</b>	2,626
Deferred tax liabilities	9(b)	<b>2,276</b>	3,208
Total non-current liabilities		<b>506,549</b>	519,216
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVE</b>			
Share capital	28	<b>112,876</b>	112,876
Reserves	29	<b>(48,124)</b>	111,005
Equity attributable to owners of the Company		<b>64,752</b>	223,881
Non-controlling interests		<b>29,341</b>	96,733
<b>TOTAL EQUITY</b>		<b>94,093</b>	320,614

Approved and authorised for issue by the board of directors on 30 June 2023 and are signed on its behalf by:

**Kan Che Kin, Billy Albert**  
Director

**Li Kai Yien, Arthur Albert**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

## Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000 (note 29 (iii))	Share option reserve HK\$'000 (note 29 (iv))	Special reserve HK\$'000 (note 29 (i))	Treasury shares HK\$'000 (note 29 (ii))	Exchange reserve HK\$'000 (note 29 (v))	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2021	112,876	434,385*	3,559*	(11,594)*	-	(53,547)*	(397,619)*	88,060	367,648	455,708
Loss for the year	-	-	-	-	-	-	(198,790)	(198,790)	(778)	(199,568)
Other comprehensive income/(loss) for the year, net of tax:										
Exchange differences arising on translation of:										
Foreign operations of subsidiaries	-	-	-	-	-	44,960	-	44,960	11,191	56,151
Foreign operations of joint ventures	-	-	-	-	-	147	-	147	-	147
Foreign operations of associates	-	-	-	-	-	1	-	1	-	1
Release of exchange reserve upon disposal of subsidiaries (note 32 (b), (c))	-	-	-	-	-	(3,688)	-	(3,688)	-	(3,688)
Total comprehensive income/(loss) for the year	-	-	-	-	-	41,420	(198,790)	(157,370)	10,413	(146,957)
Share-based payments	-	-	11,863	-	-	-	-	11,863	-	11,863
Cancellation of share options	-	-	(676)	-	-	-	676	-	-	-
Reallocation between the Company's shareholders and non-controlling interests	-	-	-	-	-	-	280,932	280,932	(280,932)	-
Acquisition of non-controlling interests in a subsidiary	-	-	-	396	-	-	-	396	(396)	-
At 31 March 2022 and 1 April 2022	112,876	434,385*	14,746*	(11,198)*	-	(12,127)*	(314,801)*	223,881	96,733	320,614
Loss for the year	-	-	-	-	-	-	(167,194)	(167,194)	(13,793)	(180,987)
Other comprehensive income/(loss) for the year, net of tax:										
Exchange differences arising on translation of:										
Foreign operations of subsidiaries	-	-	-	-	-	(53,495)	-	(53,495)	(3,942)	(57,437)
Foreign operations of joint ventures	-	-	-	-	-	(381)	-	(381)	-	(381)
Total comprehensive income/(loss) for the year	-	-	-	-	-	(53,876)	(167,194)	(221,070)	(17,735)	(238,805)
Share-based payments	-	-	12,989	-	-	-	-	12,989	-	12,989
Cancellation of share options	-	-	(1,202)	-	-	-	1,202	-	-	-
Foreclosure of the Company's own shares pledged at borrowers on default of loan receivables and receivables from a margin client	-	-	-	(210)	(7,350)	-	-	(7,560)	-	(7,560)
Reallocation between the Company's shareholder and non-controlling interests	-	-	-	-	-	-	56,512	56,512	(56,512)	-
Capital contribution by non-controlling interest to a subsidiary	-	-	-	-	-	-	-	-	6,855	6,855
At 31 March 2023	112,876	434,385*	26,533*	(11,408)*	(7,350)*	(66,003)*	(424,281)*	64,752	29,341	94,093

\* These reserve accounts comprise the consolidated reserves of deficit HK\$48,124,000 (2022: HK\$111,005,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2023

Notes	2023 HK\$'000	2022 HK\$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before tax:	<b>(182,844)</b>	(199,499)
Adjustments for:		
Loss on disposal of property, plant and equipment	<b>2,774</b>	2,831
Loss on disposal of other intangible assets	–	423
Gain on termination of lease	–	(16)
Loss/(gain) on disposal of land use right	<b>474</b>	(973)
Net gain from fair value of financial assets at fair value through profit or loss	<b>(210)</b>	(2,367)
Gain on disposal of a joint venture	–	(312)
Gain on disposal of an associate	–	(3,038)
Loss on disposal of subsidiaries	–	984
(Gain)/loss on deregistration of a subsidiary	<b>(449)</b>	146
Bank interest income	<b>(83)</b>	(118)
Finance costs	<b>34,859</b>	11,101
Share of losses of associates	–	2,626
Share of losses of joint ventures	<b>1,830</b>	1,607
Depreciation of property, plant and equipment	<b>46,649</b>	45,875
Depreciation of right-of-use assets	<b>24,925</b>	31,113
Amortisation of other intangible assets	<b>885</b>	944
Impairment of non-financial assets	–	33,470
Impairment/(reversal of impairment) of interests in associates	<b>205</b>	(1,904)
Reversal of impairment under expected credit losses model, net	<b>(742)</b>	(10,318)
Written off of loan receivables	–	678
Share-based payments	<b>12,989</b>	11,863
	<b>(58,738)</b>	(74,884)
Operating loss before working capital changes		
Decrease/(increase) in inventories	<b>193</b>	(658)
Decrease/(increase) in bank balances held on behalf of clients	<b>387</b>	(995)
Increase in loan receivables	<b>(57)</b>	(615)
Decrease/(increase) in accounts and other receivables, prepayments and deposits	<b>116,908</b>	(26,376)
(Decrease)/increase in accounts and other payables	<b>(45,343)</b>	96,672
	<b>13,350</b>	(6,856)
Cash generated from/(used in) operations		
Hong Kong profits tax refunded	<b>1,162</b>	–
PRC enterprise taxes refunded	<b>5,163</b>	(638)
	<b>19,675</b>	(7,494)
Net cash flows from/(used in) operating activities		

# Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		83	118
Deposits paid for acquisition of property, plant and equipment		(2,323)	(5,828)
Deposits paid for acquisition of land use rights		(588)	–
Purchase of property, plant and equipment		(41,747)	(126,664)
Proceeds from disposal of property, plant and equipment		15,966	1,003
Proceeds from disposal of land use right		1,074	20,139
Proceeds from disposal of financial assets at fair value through profit or loss		–	4,075
Proceeds from disposal of an associate		–	3,038
Proceeds from disposal of a joint venture		–	12,394
Capital contribution to a subsidiary by non-controlling interest		6,855	–
Net cash outflow on disposal of subsidiaries	31(a)	–	(2,453)
Net cash flows used in investing activities		(20,680)	(94,178)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loans from a shareholder	32(a)	11,531	31,577
Repayment to a shareholder	32(a)	(130)	(1)
New bank loans	32(a)	75,200	18,226
Repayment of bank loans	32(a)	(49,359)	(2,430)
Repayment of loans from third parties	32(a)	–	(2,129)
Capital element of lease liabilities paid	32(a)	(4,711)	(2,821)
Interest element of lease liabilities paid	32(a)	(213)	(2,813)
Interest paid on interest-bearing bank borrowings	32(a)	(6,109)	(4,362)
Interest paid on loans from third parties	32(a)	(426)	(205)
Net cash flows from financing activities		25,783	35,042
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Effect of foreign exchange rate changes, net		(19,610)	24,811
Cash and cash equivalents at beginning of the year		26,601	68,420
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH</b>			
		31,769	26,601

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 1. CORPORATE AND GROUP INFORMATION

China LNG Group Limited is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are 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, its subsidiaries are principally engaged in (i) the sales and distribution of liquefied natural gas (“**LNG**”) in the People’s Republic of China (the “**PRC**”), including the point-to-point supply of LNG through industrial gasification stations, dewar bottle filling stations and automobile gas stations, the regional gas pipeline networks that provide pipeline natural gas for rural industrial, commercial and civilian, the supplement supply to the national natural gas pipeline networks, and the distribution of LNG (logistic) services; and (ii) the financial services business, including the provision of finance leasing services for LNG vehicles and equipment as approved by Chinese Ministry of Foreign Trade and Economic Cooperation, (iii) Type 9 (asset management) regulated activities with the licences under the Securities and Futures Ordinance (“**SFO**”) issued by the Securities and Future Commission (“**SFC**”) in Hong Kong, and (iv) money lending business through a valid money lenders licence under the Money Lenders Ordinance in Hong Kong. The Company has ceased the securities brokerage business, the unclaimed client cash and securities have been lodged to the High Court on 14 June 2023.

### 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		Percentage of equity attributable to the Company		Principal activities
		2023	2022	2023	2022	
China LNG Limited (“ <b>CLNG</b> ”)	Hong Kong	HK\$40,000,000	HK\$40,000,000	100%	100%	Investment holding
Key Fit Group Limited (“ <b>Key Fit Group</b> ”)	Hong Kong	HK\$700,000,000	HK\$700,000,000	60.42%	60.42%	Investment holding
China Hong Kong Capital Finance Limited	Hong Kong	HK\$14,000,000	HK\$14,000,000	60.42%	60.42%	Money lending
China Hong Kong Capital Asset Management Company Limited	Hong Kong	HK\$400,000,000	HK\$400,000,000	60.42%	60.42%	Asset management
港能國際融資租賃有限公司 (China LNG Finance Leasing Co., Ltd.)**	PRC	United states dollar (“US\$”) 165,000,000 (Paid up US\$97,643,100)	US\$165,000,000 (Paid up US\$97,643,100)	60.42%	60.42%	Finance leasing services for LNG vehicles and equipment
港宇供應鏈管理(上海)有限公司 (Great Trend Investment Management (Shanghai) Co., Ltd.)**	PRC	Renminbi (“ <b>RMB</b> ”) 67,000,000 (Paid up RMB13,056,000)	RMB67,000,000 (Paid up RMB13,056,000)	100%	100%	LNG vehicles services and new energy related business

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Name	Place of incorporation/ establishment and business	Issued ordinary/ registered share capital		Percentage of equity attributable to the Company		Principal activities
		2023	2022	2023	2022	
港強天然氣(上海)有限公司 (Gangqiang Natural Gas (Shanghai) Co., Ltd.)**	PRC	RMB100,000,000 (Paid up RMB15,000,000)	RMB100,000,000 (Paid up RMB15,000,000)	60%	60%	Development of 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 (CLNG Investment (Zhuhai) Co., Limited)**	PRC	US\$100,000,000 (Paid up US\$83,494,500)	US\$100,000,000 (Paid up US\$83,494,500)	100%	100%	Investment holding
上海港弘船舶租賃有限公司 (Shanghai Ganghong Ship Leasing Co., Ltd)* (Formerly known as 上海港宏融資租賃有限公司 (Shanghai Ganghong Finance Leasing Co., Ltd.))**	PRC	US\$10,000,000 (Paid up US\$1,324,793)	US\$10,000,000 (Paid up US\$1,324,793)	60.42%	60.42%	Finance leasing services for LNG vehicles and equipment
山東港能能源有限公司 (CLNG Shandong Energy Co., Ltd.)**	PRC	RMB20,000,000 (Paid up RMB20,000,000)	RMB20,000,000 (Paid up RMB20,000,000)	100%	100%	Sales and distribution of LNG
浙江港能天然氣利用有限責任公司 (Zhejiang CLNG Natural Gas., Ltd.)**	PRC	PRC 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 (CLNG Natural Gas Co., Ltd.)**	PRC	RMB600,000,000 (Paid up RMB394,719,503)	RMB600,000,000 (Paid up RMB394,719,503)	100%	100%	Investment holding
陝西港通能源有限公司 (Shaanxi Gangtong Neng Yuan Co., Ltd.)**	PRC	RMB30,000,000 (Paid up RMB30,000,000)	RMB30,000,000 (Paid up 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 (Hebei Dezhong Gas Trading Co., Ltd.)**	PRC	RMB9,590,300 (Paid up RMB8,660,640)	RMB9,590,300 (Paid up RMB8,660,640)	100%	100%	Sales and distribution of LNG
湖北港順天然氣有限公司 (Hubei Gangshun Tian Ran Qi Co., Ltd.)**	PRC	RMB50,000,000 (Paid up RMB23,000,000)	RMB50,000,000 (Paid up RMB23,000,000)	100%	100%	Sales and distribution of LNG and provision of LNG logistic services



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Name	Place of incorporation/ establishment and business	Issued ordinary/ registered share capital		Percentage of equity attributable to the Company		Principal activities
		2023	2022	2023	2022	
徐州港能能源有限公司 (CLNG (Xuzhou) Energy Co., Ltd.)* <sup>®</sup>	PRC	<b>RMB10,000,000</b> (Paid up <b>RMB4,900,000</b> )	RMB10,000,000 (Paid up RMB4,900,000)	<b>55%</b>	55%	Sales and distribution of LNG
港宏天然氣無錫有限公司 (Ganghong Natural Gas Wuxi Co. Ltd.)* <sup>®</sup>	PRC	<b>RMB30,000,000</b> (Paid up <b>RMB1,500,000</b> )	RMB30,000,000 (Paid up RMB1,500,000)	<b>51%</b>	51%	Sales and distribution of LNG
港能(天津)貿易有限公司 (CLNG (Tianjin) Trading Co., Ltd.)* <sup>®</sup>	PRC	<b>RMB10,000,000</b> (Paid up <b>RMB7,350,000</b> )	RMB10,000,000 (Paid up RMB7,350,000)	<b>100%</b>	100%	Provision on LNG logistic services
六安市港能天然氣有限公司 (CLNG (Liu An Shi) Co. Ltd.)* <sup>®</sup>	PRC	<b>RMB60,000,000</b> (Paid up <b>RMB42,995,164</b> )	RMB60,000,000 (Paid up RMB42,995,164)	<b>60%</b>	60%	Sales and distribution of LNG and operation of LNG refilling station
山東奧海天然氣資源技術有限公司 Shandong Aohai Natural Gas Technology Co., Ltd.* <sup>®</sup> ("Shandong Aohai")	PRC	<b>RMB10,000,000</b> (Paid up <b>RMB6,004,920</b> )	RMB10,000,000 (Paid up RMB6,004,920)	<b>100%</b>	100%	Sales and distribution of LNG
河南港運新能源有限公司 (Hanan Gangyun Energy Co., Ltd.)* <sup>®</sup>	PRC	<b>RMB10,000,000</b> (Paid up <b>RMB3,223,000</b> )	RMB10,000,000 (Paid up RMB3,223,000)	<b>55%</b>	55%	Sales and distribution of LNG
港匯天然氣銷售河北有限公司 (Ganghui Natural Gas Trading Hebei Co., Ltd.)* <sup>®</sup>	PRC	<b>RMB10,000,000</b> (Paid up <b>RMB1,250,000</b> )	RMB10,000,000 (Paid up RMB1,250,000)	<b>60%</b>	60%	Sales and distribution of LNG
陝西港能物流有限公司 (CLNG (Shaanxi) Logistic Co., Ltd.)* <sup>®</sup>	PRC	<b>RMB129,500,000</b> (Paid up <b>RMB129,500,000</b> )	RMB200,000,000 (Paid up RMB129,500,000)	<b>100%</b>	100%	Provision of LNG logistic services
青島奧博順拓氣體有限公司 (Qingdao Aobo Shunta Gas Co., Ltd.)* <sup>®</sup>	PRC	<b>PRC RMB6,122,400</b> (Paid up <b>RMB6,122,400</b> )	RMB6,122,400 (Paid up RMB6,122,400)	<b>51%</b>	51%	Sales and distribution of LNG

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Name	Place of incorporation/ establishment and business	Issued ordinary/ registered share capital		Percentage of equity attributable to the Company		Principal activities
		2023	2022	2023	2022	
港能(天津)能源有限公司 (CLNG Tianjin Energy Co. Ltd)**	PRC	RMB510,000,000 (Paid up RMB497,978,771)	RMB510,000,000 (Paid up RMB497,978,771)	100%	100%	Investment holding
港縱貿易(珠海)有限公司 (Gangzong Trading (Zhuhai) Co., Ltd.) (Formerly known as 港縱貿易(上海)有限公司)**	PRC	RMB1,000,000,000 (Paid up RMB427,000,000)	RMB1,000,000,000 (Paid up RMB427,000,000)	100%	100%	Investment holding and trading of LNG
上海亞東宏華集裝箱運輸有限公司 (Shanghai YaDong Hong Hua Ji Zhuang Xiang Yun Shu Co., Ltd.)*	PRC	RMB30,000,000 (Paid up RMB30,000,000)	RMB30,000,000 (Paid up RMB30,000,000)	99.9%	99.9%	Provision of LNG logistic services
河北港盛能源有限公司 (Hebei Gangsheung Energy Co., Ltd.)*	PRC	RMB30,000,000 (Paid up RMB12,000,000)	RMB30,000,000 (Paid up RMB12,000,000)	100%	100%	Sales and distribution of LNG
河北港瑞天然氣有限公司 (Hebei Gangrui Natural Gas Co., Ltd.)*	PRC	RMB20,000,000 (Paid up RMB18,583,689)	RMB20,000,000 (Paid up RMB18,583,689)	80%	80%	Sales and distribution of LNG
港能天然氣鄆城有限公司 (CLNG Haocheng Natural Gas Co., Ltd.)*	PRC	RMB10,000,000 (Paid up RMB4,050,000)	RMB10,000,000 (Paid up RMB4,050,000)	100%	100%	Sales and distribution of LNG
港能(湖北)能源有限公司 (CLNG Hubei Energy Co., Ltd.)*	PRC	RMB10,000,000 (Paid up RMB10,000,000)	RMB10,000,000 (Paid up RMB10,000,000)	100%	100%	Sales and distribution of LNG
湖北鼎環新能源有限公司 (Hubei Dinghuan New Energy Co., Ltd.)*	PRC	RMB10,000,000 (Paid up RMB1,272,058)	RMB10,000,000 (Paid up RMB1,272,058)	100%	100%	Sales and distribution of LNG
江蘇港易達能源有限公司 (Jiangsu Gangyida Energy Co., Ltd.)*	PRC	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 (CLNG Shenzhen) Energy Co., Ltd.)*	PRC	RMB20,000,000 (Paid up RMB5,000,000)	RMB20,000,000 (Paid up RMB5,000,000)	100%	100%	Investment holding

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

Name	Place of incorporation/ establishment and business	Issued ordinary/ registered share capital		Percentage of equity attributable to the Company		Principal activities
		2023	2022	2023	2022	
上海港能能源有限公司 (Shanghai Gangneng Energy Co., Ltd.) <sup>#*</sup>	PRC	US\$180,000,000 (Paid up US\$Nil)	US\$180,000,000 (Paid up US\$Nil)	100%	100%	Consultancy service on LNG
江陽宏偉運輸有限公司 (Jiang Yang Hongwei Transportation Co., Ltd.) <sup>*</sup>	PRC	RMB34,850,000 (Paid up RMB34,850,000)	RMB34,850,000 (Paid up RMB34,850,000)	100%	100%	Sales and distribution of LNG
湖北錦盛天然氣有限公司 (Hubei Jinsheng Natural Gas Co., Ltd.) <sup>#*</sup>	PRC	RMB100,000,000 (Paid up RMB90,000,000)	RMB100,000,000 (Paid up RMB90,000,000)	100%	100%	Sales and distribution of LNG.
港海能源(廣水)有限公司 (Ganghai Energy (Guangshui) Co., Ltd.) <sup>#*</sup>	PRC	RMB250,000,000 (Paid up RMB34,200,000)	RMB250,000,000 (Paid up RMB34,200,000)	100%	100%	Sales and distribution of LNG. construction and operation of natural gas filling stations and development of LNG related technologies
景德鎮港興天然氣有限公司 (Jingdezhen Gangxing Natural Gas Co., Ltd.) <sup>#*</sup>	PRC	RMB142,870,000 (Paid up RMB10,000,000)	RMB142,870,000 (Paid up RMB10,000,000)	70%	70%	Sales and distribution of LNG
湖北港誠能源有限公司 (Hubei Gangcheng Energy Co., Ltd.) <sup>#*</sup>	PRC	RMB50,000,000 (Paid up RMB20,700,000)	RMB50,000,000 (Paid up RMB20,700,000)	100%	100%	Operation of LNG refilling station
寧波港林天然氣利用有限公司 (Ningbo Ganglin Natural Gas Utilization Co., Ltd.) <sup>®</sup>	PRC	RMB100,000,000 (Paid up RMB30,000,000)	RMB100,000,000 (Paid up RMB30,000,000)	100%	100%	Sales and distribution of LNG

#### Notes:

<sup>1</sup> All of the above subsidiaries, except for CLNG and Key Fit Group, are indirectly held by the Company.

<sup>\*</sup> English company name translated for identification purposes only.

<sup>#</sup> These subsidiaries are wholly foreign-owned enterprises in the PRC.

<sup>##</sup> These subsidiaries are 60% foreign-owned enterprises in the PRC.

<sup>®</sup> These subsidiaries are the limited liability companies in the PRC.

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. Details of non-wholly owned subsidiaries that have material non-controlling interests are disclosed in note 35 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited. These consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are remeasured at fair value at end of each reporting period, as explained in the accounting policies set out below. 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**”). A subsidiary is an 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).

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.

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.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.1 BASIS OF PREPARATION (continued)

### (a) Basis of consolidation (continued)

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

### (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\$180,987,000 for the year ended 31 March 2023 and as of that date, the Group had net current liabilities of HK\$494,775,000 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 until 30 June 2024;
- (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\$260,263,000 as at 31 March 2023;
- (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; and
- (4) The Group is actively negotiating with a bank in the Mainland China to obtain a new credit line to finance the Group's operations.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.1 BASIS OF PREPARATION (continued)

### (b) Adoption of the going concern basis (continued)

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, which cover a period of not less than twelve months from 31 March 2023, 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.

Notwithstanding the above, material uncertainty exists as to whether the Group is able to achieve its plans and measures, which incorporate assumptions about future events and conditions that are subject to inherent uncertainties. Whether the Group will be able to continue as a going concern would depend upon the following:

- 1) whether the Group is able to generate adequate operating cash inflows by adjusting the operation soonest possible upon easing of the COVID-19 restrictions and controlling the operating costs; and
- 2) whether the Group will be able to obtain financing from the shareholder of remaining unutilised facilities of approximately HK\$260,263,000 available to the Group and when needed and whether the conditions for the provision of financing exist throughout the forecast period.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively and to provide for any further liabilities which might arise.

## 2.2 NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

In the current year, the Group has adopted the following new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2022 as mentioned below.

Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.3 NEW AND AMENDMENTS TO HKFRSs BUT NOT YET EFFECTIVE

The following HKFRSs in issue 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 2022:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback <sup>2</sup>
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> 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.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in associates and joint ventures (continued)

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, only if such changes resulted in changes in ownership interest held by the Group, 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.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 Impairment of Assets ("HKAS 36") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal of the relevant associate or joint venture.

### 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.

Goodwill arising on an acquisition of a business 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 as at acquisition date. 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business combinations and goodwill (continued)

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 is 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, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on 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.

### Fair value measurement

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 degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety,:

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 measured at fair value 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of non-financial assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use.

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 (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

An impairment loss is charged to the consolidated 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 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 member of a group of which the other entity is a member);
  - (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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%
Right-of-use assets – Land use rights	Over the lease terms
Right-of-use assets – Properties	Remaining lease term from 1 April 2019
Right-of-use assets – Containers	Over the lease terms

Residual values, useful lives and the depreciation method are reviewed, and adjusted prospectively 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. 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.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

### 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. Intangible assets are subsequently stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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

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.

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. Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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

### Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 Revenue from contract with customers to assess whether sale and leaseback transaction constitutes a sale by the Group.

#### *The Group as a buyer-lessor*

For a transfer of asset that does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a LNG finance lease receivable equal to the transfer proceeds within the scope of HKFRS 9.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 accounts 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 accounts 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 in accordance with HKFRS 15.

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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows only and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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:

#### Financial assets at amortised cost (debt instruments)

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.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

#### Financial assets at amortised cost (debt instruments) (continued)

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

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

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 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 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).

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 90 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments and other financial assets (continued)

#### General approach (continued)

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.

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.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 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 expire; 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 loans and borrowings and payables 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 and loans from a shareholder.

#### Subsequent measurement

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

#### Loans and borrowings and payables

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.

Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Financial liabilities** *(continued)*

#### **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.

### **Treasury shares**

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

### **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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Provisions

A provision is recognised when the Group has a present obligation (legal or constructive) that 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 by the Group, provided that a reliable estimate can be made of the amount of the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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.

### 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 by the Group. 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.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

### Taxation

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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 and interests in joint ventures, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Taxation (continued)

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 and interests in joint ventures, 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.

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

#### Revenue from contracts with customers (continued)

(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

Revenue from the provision of LNG logistic services is recognised over-time 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.

### 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 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. Contract liabilities are recognised as revenue when the Group performs under the contract and has an unconditional right to receive consideration.

### 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 the PRC 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 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.

#### Short-term employee benefit

Short-term employee benefits are recognised at the undiscounted amount of the benefits to be paid as and when employees rendered the service. All short-term employee benefits are recognised as expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset. A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave after deducting any amount already paid.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee benefits (continued)

#### Termination benefits

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

#### Share-based payment arrangements

The Group issues equity-settled share-based payments to directors and certain employees. 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

The consolidated financial statements are presented in HK\$, which is the Company's presentation 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 rates of exchanges prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than HK\$. 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 HK\$ at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated under exchange reserve in equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified cognised 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. Exchange differences arising are recognised in other comprehensive income.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK\$ 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 HK\$ 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.

### Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

#### (a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the controlling shareholder at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2.1(b) 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.

### 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.

The carrying amount of property, plant and equipment as at 31 March 2023 were HK\$447,921,000 (2022: HK\$506,771,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Estimation uncertainty (continued)

#### Impairment of non-financial assets

Non-financial assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount or, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

Details of the impairment of non-financial assets are disclosed in note 13 to the consolidated financial statements. The carrying amount of property, plant and equipment, other intangible assets, right-of-use assets, deposits for acquisition of property, plant and equipment and land-use right as at 31 March 2023 were HK\$447,921,000, HK\$4,131,000, HK\$105,937,000, HK\$116,089,000 and HK\$46,165,000 (2022: HK\$506,771,000, HK\$5,416,000, HK\$135,820,000, HK\$124,989,000 and HK\$49,186,000) respectively.

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

The Group uses a provision matrix to calculate ECLs for 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\$963,000 and impairment of HK\$1,447,000 are made to receivables under 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 and 21 to the consolidated financial statements.

#### Impairment assessment of loan receivables, accounts receivables from margin clients and cash clients and other receivables

The Group calculates the ECLs of these receivables by estimating the 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 unlikelihood 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. No impairment (net of reimbursement expense of HK\$1,057,000), reversal of impairment of HK\$386,000 and reversal of impairment of HK\$840,000 are made to loan receivables, accounts receivables from margin clients and cash clients and other receivables, respectively. Further details of loan receivables and accounts receivables from margin clients and cash clients and other receivables are given in notes 20 and 21 to the consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Estimation uncertainty (continued)

#### Impairment of investments in joint ventures and associates

The Group tests whether the investments in joint ventures and associates have suffered any impairment, in accordance with the accounting policy stated in note 2.4 to the consolidated financial statements. The recoverable amount of the investment is the higher of the asset's fair value less costs to sell and value in use. These calculations require the use of estimates. Impairment of HK\$205,000 is made to interests in associates. Further details are disclosed in notes 16 and 17 to the consolidated financial statements.

## 3. OPERATING SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of their products and services provided by the Group's operating divisions which is consistent with the internal information that is regularly reviewed by the executive directors of the Company, the chief operating decision makers ("**CODM**"), for the purposes of resource allocation and assessment of performance. Segment profit represents the profit earned by each segment without allocation of corporate and other unallocated expenses, share of results of associates and joint ventures, other income, other gains and losses and finance costs. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products and services.

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

- (a) Sales and distribution of LNG including wholesale of LNG, point-to-point supply of LNG, automobile gas stations, LNG pipeline network and provision of LNG logistic services ("**LNG business**") in the PRC; and
- (b) financial services business, including the provision of finance leasing services for LNG vehicles and equipment in the PRC, the provision of asset management services and money lending business in Hong Kong ("**Financial services**").

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. OPERATING SEGMENT INFORMATION (continued)

	LNG business		Financial services		Consolidated	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
<b>Segment revenue (note 4)</b>						
Sales to external customers	211,793	431,932	57	615	211,850	432,547
Inter-company sales	64,693	224,713	-	-	64,693	224,713
	<b>276,486</b>	656,645	<b>57</b>	615	<b>276,543</b>	657,260
Reconciliation:						
Elimination of inter-company sales					(64,693)	(224,713)
Revenue					211,850	432,547
Segment results before depreciation and amortisation	(65,136)	(128,308)	(6,615)	11,767	(71,751)	(116,541)
Depreciation and amortisation	(69,065)	(76,878)	(2,928)	(1,054)	(71,993) <sup>#</sup>	(77,932)
<b>Segment results</b>	<b>(134,201)</b>	(205,186)	<b>(9,543)</b>	10,713	<b>(143,744)</b>	(194,473)
Other income and other gains and losses					1,180	7,750
Finance costs					(34,859)	(11,101)
Share of losses of associates	-	(2,626)	-	-	-	(2,626)
Share of losses of joint ventures	(1,830)	(1,607)	-	-	(1,830)	(1,607)
Corporate and other unallocated income/(expenses), net					(3,591)	2,558
Loss before tax					(182,844)	(199,499)
<b>Assets and liabilities</b>						
Segment assets	1,171,213	1,418,414	132,958	140,130	1,304,171	1,558,544
Unallocated					33,812	28,180
					<b>1,337,983</b>	1,586,724
Segment liabilities	785,105	854,594	309,512	305,441	1,094,617	1,160,035
Unallocated					149,273	106,075
					<b>1,243,890</b>	1,266,110

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. OPERATING SEGMENT INFORMATION (continued)

	LNG business		Financial services		Consolidated	
	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other segment information</b>						
Share of results of:						
Associates	-	(2,626)	-	-	-	(2,626)
Joint ventures	(1,830)	(1,607)	-	-	(1,830)	(1,607)
Reversal of impairment of LNG finance lease receivables	-	-	963	10,070	963	10,070
Reversal of impairment/(impairment) of loan receivables, net of reimbursement expense of HK\$1,057,000 (2022: income HK\$26,939,000)	-	-	-	7,718	-	7,718
Reversal of impairment of accounts receivables arising from securities brokerage business	-	-	386	-	386	-
(Impairment)/reversal of impairment of accounts receivables arising from LNG business	(1,447)	3,329	-	-	(1,447)	3,329
Reversal of impairment/(impairment) of other receivables	840	(10,799)	-	-	840	(10,799)
Impairment of non-financial assets	-	(33,470)	-	-	-	(33,470)
(Impairment)/reversal of impairment of interests in associates	(205)	1,904	-	-	(205)	1,904
Depreciation and amortisation	(69,065)	(76,878)	(2,928)	(1,054)	(71,993) <sup>#</sup>	(77,932)
Loss on disposal of items of property, plant and equipment	(2,774)	(2,831)	-	-	(2,774)	(2,831)
(Loss)/gain on disposal of land use right	(474)	973	-	-	(474)	973
Gain on disposal of financial assets at fair value through profit or loss	-	-	-	1,317	-	1,317
Gain on disposal of an associate	-	3,038	-	-	-	3,038
Gain on disposal of a joint venture	-	312	-	-	-	312
Gain/(loss) on deregistration of a subsidiary	449	(146)	-	-	449	(146)
Loss on disposal of subsidiaries	-	(984)	-	-	-	(984)
Interests in associates	-	222	-	-	-	222
Interests in joint ventures	76,548	77,746	-	-	76,548	77,746
Additions to property, plant and equipment	43,265	132,747	530	-	43,795	132,747
Additions to right-of-use assets	1,377	28,190	7,937	-	9,314	28,190
Additions to deposits for acquisition of plant and equipment, and land use rights	2,911	2,747	-	-	2,911	2,747

<sup>#</sup> There is depreciation of right-of-use assets of HK\$466,000 included in corporate and other unallocated expenses.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 3. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

#### (a) Revenue from external customers

	2023 HK\$'000	2022 HK\$'000
Hong Kong	57	615
PRC	211,793	431,932
	<b>211,850</b>	432,547

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

#### (b) Non-current assets

	2023 HK\$'000	2022 HK\$'000
Hong Kong	1,751	212
PRC	1,093,666	1,222,207
	<b>1,095,417</b>	1,222,419

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

### Information about major customers

Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group are disclosed as follow:

	2023 HK\$'000	2022 HK\$'000
LNG business segment		
Customer A	43,859	—*
Customer B	31,152	—*

\* Revenue from the customer did not exceed 10% of total revenue in the respective year.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. REVENUE, OTHER INCOME AND OTHER GAINS AND LOSSES

An analysis of revenue is as follows:

	2023 HK\$'000	2022 HK\$'000
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sales and distribution of LNG	139,526	315,039
Provision of LNG logistic services	72,267	116,893
	<b>211,793</b>	431,932
<b>Revenue from other sources</b>		
Interest income from loan financing	57	615
	<b>57</b>	615
	<b>211,850</b>	432,547

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

	LNG related products HK\$'000	LNG related services HK\$'000	Total HK\$'000
For the year ended 31 March 2023			
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	139,526	–	139,526
Services transferred over time	–	72,267	72,267
Total revenue from contracts with customers	139,526	72,267	211,793
For the year ended 31 March 2022			
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	315,039	–	315,039
Services transferred over time	–	116,893	116,893
Total revenue from contracts with customers	315,039	116,893	431,932

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 4. REVENUE, OTHER INCOME AND OTHER 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.

All performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period are part of contracts with an original expected duration of one year or less. Therefore, the Group has applied the practical expedient in paragraph 121 of HKFRS 15, which exempts the transaction prices allocated to such performance obligations from disclosure.

	2023 HK\$'000	2022 HK\$'000
<b>Other income</b>		
Bank interest income	83	118
Sundry income	271	516
Government subsidy <sup>#</sup>	816	2,153
	<b>1,170</b>	2,787
<b>Other gains and losses</b>		
Loss on disposal of items of property, plant and equipment	(2,774)	(2,831)
Loss on disposal of other intangible assets	-	(423)
Gain on termination of lease	-	16
(Loss)/gain on disposal of land use right	(474)	973
Gain from changes in fair value of financial assets at fair value through profit or loss	210	1,050
Gain on disposal of financial assets at fair value through profit or loss	-	1,317
Gain/(loss) on deregistration of a subsidiary	449	(146)
Loss on disposal of subsidiaries (note 32)	-	(984)
Gain on disposal of a joint venture	-	312
Gain on disposal of an associate	-	3,038
Exchange gain	2,599	2,641
	<b>10</b>	4,963
	<b>1,180</b>	7,750

<sup>#</sup> During the year ended 31 March 2023, the Group recognised government grants of approximately HK\$120,000 (2022: HK\$Nil) related to Employment Support Scheme provided by the Hong Kong SAR Government and fulfilled the relevant granting criteria. The remaining recognised government grants of approximately HK\$696,000 (2022: HK\$2,153,000) obtained in the PRC whereas there were no unfulfilled conditions or contingencies.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 5. LOSS BEFORE TAX

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

	2023 HK\$'000	2022 HK\$'000
Cost of inventories recognised as an expense <sup>#</sup>	<b>105,902</b>	296,349
Depreciation of property, plant and equipment	<b>46,649</b>	45,875
Depreciation of right-of-use assets	<b>24,925</b>	31,113
Amortisation of other intangible assets	<b>885</b>	944
Written off of loan receivable	–	678
Short-term lease expenses	<b>2,181</b>	2,851
Auditor's remuneration	<b>800</b>	1,453
Employee benefit expense (excluding directors' remuneration (note 7)):		
Wages and salaries	<b>34,538</b>	81,429
Commission	<b>9,228</b>	17,867
Pension scheme contributions <sup>##</sup>	<b>2,367</b>	5,279
Share-based payments	<b>4,057</b>	5,201
	<b>50,190</b>	109,776
Reversal of impairment under expected credit losses assets:		
Impairment/(reversal of impairment) of accounts receivables arising from LNG business	<b>1,447</b>	(3,329)
Reversal of impairment of LNG finance lease receivables	<b>(963)</b>	(10,070)
(Reversal of impairment)/Impairment of other receivables	<b>(840)</b>	10,799
(Reversal of impairment)/impairment of loan receivables, net of reimbursement expense of HK\$1,057,000 (2022: income HK\$26,939,000)	–	(7,718)
Reversal of impairment of accounts receivables arising from securities brokerage business	<b>(386)</b>	–
	<b>(742)</b>	(10,318)

<sup>#</sup> This balance is included in "Cost of sales" in the consolidated statement of profit or loss.

<sup>##</sup> According to the relevant laws and regulations in the PRC, the PRC subsidiaries within the Group are required to contribute a certain percentage of the payrolls of their employees to the retirement benefits scheme to fund the retirement benefits of their employees. The Group operates the MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, contribution of which is matched by employees. The maximum monthly amount of contribution is limited to HK\$1,500 per employee. During the years ended 31 March 2023 and 2022, the Group had no forfeited contributions under the MPF Scheme which may be used by the Group to reduce existing level of contributions as described in paragraph 26(2) Appendix 16 of the Listing Rules. No forfeited contributions were also available at 31 March 2023 and 2022 for the Group to reduce contribution payables in future years, if applicable.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK\$'000	2022 HK\$'000
Interest expense on loans from a shareholder	23,291	567
Interest expense on interest-bearing bank borrowings	6,109	4,362
Interest expense on loans from third parties	426	205
Default interest expense	4,166	3,154
Interest expense on lease liabilities	867	2,813
	<b>34,859</b>	11,101

## 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:

	2023 HK\$'000	2022 HK\$'000
Fees:		
Executive directors	20	20
Non-executive directors	140	100
Independent non-executive directors	150	150
Other emoluments of executive directors:		
Share-based payments	8,932	6,662
	<b>9,242</b>	6,932



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 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
<b>Year ended 31 March 2023</b>					
Executive directors:					
Dr. Kan	10	-	8,932	-	8,942
Mr. Li Kai Yien, Arthur Albert	10	-	-	-	10
	20	-	8,932	-	8,952
Non-executive directors:					
Mr. Simon Murray	50	-	-	-	50
Mr. Lam, Lee G	50	-	-	-	50
Mr. Xiao Cong (" <b>Mr. Xiao</b> ")	40	-	-	-	40
	140	-	-	-	140
Independent non-executive directors:					
Mr. Li Siu Yui	50	-	-	-	50
Mr. Lam Lum Lee	50	-	-	-	50
Mr. Chow Ching Ning	50	-	-	-	50
	150	-	-	-	150
	310	-	8,932	-	9,242

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

Mr. Xiao was subsequently appointed on 23 May 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 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
<b>Year ended 31 March 2022</b>					
Executive directors:					
Dr. Kan	10	–	6,662	–	6,672
Mr. Li Kai Yien, Arthur Albert	10	–	–	–	10
	20	–	6,662	–	6,682
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. Chow Ching Ning	50	–	–	–	50
	150	–	–	–	150
	270	–	6,662	–	6,932

There was no arrangement under which a director waived or agreed to waive any remuneration, and no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2023 and 2022.

## 8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2022: one director). Details of the remuneration for the year of the remaining four (2022: four) non-director highest paid employees are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and benefits in kind	2,440	2,334
Pension scheme contributions	191	194
Share-based payments	3,318	4,215
	5,949	6,743

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 8. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Numbers of employees	
	2023	2022
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$4,500,001 to HK\$5,000,000	–	1
	<b>4</b>	<b>4</b>

There was no remuneration was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2023 and 2022.

## 9. INCOME TAX

### (a) Income tax (credit)/expense comprises:

	2023 HK\$'000	2022 HK\$'000
(Over)/under-provision in prior years		
– Hong Kong Profit Tax	(1,162)	(15)
– The PRC Enterprise Income Tax	–	84
Deferred taxation	(695)	–
Total tax (credit)/expense	<b>(1,857)</b>	<b>69</b>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for both years.

Under the Law of The PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of The PRC subsidiaries is 25% for both years.

A reconciliation of the tax (credit)/expense 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 (credit)/expense is as follows:

	2023 HK\$'000	2022 HK\$'000
Loss before tax	(182,844)	(199,499)
Tax at the statutory rates	(45,720)	(49,136)
Income not subject to tax	(5,985)	(22,331)
Expenses not deductible for tax	17,051	26,255
Temporary difference not recognised	(692)	(16)
Share of result of joint ventures and associates which is non-deductible	458	402
Tax losses utilised from prior periods	(2,850)	(344)
Tax losses not recognised	37,043	45,170
(Over)/under-provision in prior years	(1,162)	69
Tax (credit)/expense	<b>(1,857)</b>	<b>69</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 9. INCOME TAX (continued)

(a) (continued)

There is no share of tax attributable to associates for both years. The share of tax credit attributable to joint ventures amounting to HK\$396,000 (2022: tax credit of HK\$64,000) is included in “Share of profits and losses of joint ventures” 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\$2,276,000 (2022: HK\$3,208,000) represents fair value adjustment arising from acquisition of a subsidiary.

The Group has tax losses arising in Hong Kong of HK\$578,470,000 (2022: HK\$562,666,000) 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\$811,939,000 (2022: HK\$739,564,000) 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 2023 and 2022, 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, the Company has the ability to control the timing of distribution and it is not probable that the distribution of these subsidiaries and joint ventures will be made 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\$7,629,000 at 31 March 2023 (2022: HK\$8,636,000).

## 10. DIVIDENDS

No dividends was proposed or paid for ordinary shareholders the Company during the year ended 31 March 2023 and 2022, nor has any dividend been propose since the end of the reporting period.

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

The calculation of the basic loss per share attributable to ordinary equity holders of the Company is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 5,643,797,090 (2022: 5,643,797,090) in issue during the year.

The diluted loss per share for the years ended 31 March 2023 and 2022 is equal to the basic loss per share as there was no dilutive potential ordinary share in issue.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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

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

	2023 HK\$'000	2022 HK\$'000
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	<b>(167,194)</b>	(198,790)
	Number of shares	
	2023	2022
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<b>5,643,797,090</b>	5,643,797,090

## 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:								
1 April 2021	9,896	5,256	193,762	283,737	15,143	9,100	164,565	681,459
Additions	311	-	724	47	-	-	132,665	133,747
Transfer	507	-	122,592	-	81,622	-	(204,721)	-
Transfer to land use right	-	-	-	-	-	-	(25,109)	(25,109)
Disposal of subsidiaries (note 32(a))	(489)	-	-	(78,371)	-	-	-	(78,860)
Disposals	(204)	-	(1,528)	(3,395)	-	-	(714)	(5,841)
Exchange realignment	376	94	9,970	10,687	1,833	-	5,527	28,487
At 31 March 2022 and 1 April 2022	10,397	5,350	325,520	212,705	98,598	9,100	72,213	733,883
Additions	<b>1,310</b>	-	<b>7,779</b>	<b>4,635</b>	-	-	<b>30,071</b>	<b>43,795</b>
Transfer	-	-	<b>10,871</b>	-	<b>12,698</b>	-	<b>(23,569)</b>	-
Disposals	<b>(55)</b>	-	<b>(15,232)</b>	<b>(6,296)</b>	-	-	<b>(4,682)</b>	<b>(26,265)</b>
Exchange realignment	<b>(684)</b>	<b>(211)</b>	<b>(23,888)</b>	<b>(15,422)</b>	<b>(7,206)</b>	-	<b>(5,296)</b>	<b>(52,707)</b>
At 31 March 2023	<b>10,968</b>	<b>5,139</b>	<b>305,050</b>	<b>195,622</b>	<b>104,090</b>	<b>9,100</b>	<b>68,737</b>	<b>698,706</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 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
Accumulated depreciation:								
At 1 April 2021	7,779	4,902	45,193	85,260	469	9,100	-	152,703
Provided for the year	1,375	336	19,495	22,714	1,955	-	-	45,875
Disposal of subsidiaries (note 32(a))	(415)	-	-	(23,010)	-	-	-	(23,425)
Written back on disposals	(116)	-	(420)	(1,471)	-	-	-	(2,007)
Exchange realignment	298	85	2,189	3,141	48	-	-	5,761
At 31 March 2022 and 1 April 2022	8,921	5,323	66,457	86,634	2,472	9,100	-	178,907
<b>Provided for the year</b>	<b>1,511</b>	<b>23</b>	<b>16,844</b>	<b>24,398</b>	<b>3,873</b>	<b>-</b>	<b>-</b>	<b>46,649</b>
<b>Written back on disposals</b>	<b>(50)</b>	<b>-</b>	<b>(1,638)</b>	<b>(5,837)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,525)</b>
<b>Exchange realignment</b>	<b>(578)</b>	<b>(207)</b>	<b>(4,840)</b>	<b>(6,116)</b>	<b>(172)</b>	<b>-</b>	<b>-</b>	<b>(11,913)</b>
<b>At 31 March 2023</b>	<b>9,804</b>	<b>5,139</b>	<b>76,823</b>	<b>99,079</b>	<b>6,173</b>	<b>9,100</b>	<b>-</b>	<b>206,118</b>
Impairment loss:								
At 1 April 2021	-	-	10,161	-	-	-	27,853	38,014
Provided/(reversal) for the year	74	-	13,564	-	5,248	-	(10,429)	8,457
Exchange realignment	1	-	630	-	77	-	1,026	1,734
At 31 March 2022 and 1 April 2022	75	-	24,355	-	5,325	-	18,450	48,205
<b>Exchange realignment</b>	<b>(5)</b>	<b>-</b>	<b>(1,788)</b>	<b>-</b>	<b>(391)</b>	<b>-</b>	<b>(1,354)</b>	<b>(3,538)</b>
<b>At 31 March 2023</b>	<b>70</b>	<b>-</b>	<b>22,567</b>	<b>-</b>	<b>4,934</b>	<b>-</b>	<b>17,096</b>	<b>44,667</b>
Carrying values:								
<b>At 31 March 2023</b>	<b>1,094</b>	<b>-</b>	<b>205,660</b>	<b>96,543</b>	<b>92,983</b>	<b>-</b>	<b>51,641</b>	<b>447,921</b>
At 31 March 2022	1,401	27	234,708	126,071	90,801	-	53,763	506,771

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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

Balance of other assets of HK\$298,426,000 (2022: HK\$322,069,000) 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 25).

As at 31 March 2023, property, plant and equipment with the carrying amounts of approximately HK\$18,591,000 (2022: HK\$28,603,000) respectively were pledged to banks to secure banking facilities granted to the Group (Note 26).

## 13. IMPAIRMENT TESTING ON NON-FINANCIAL ASSETS

For the purposes of impairment testing, property, plant and equipment, other intangible assets, right-of-use assets and deposits for acquisition of property, plant and equipment and land use rights that generate cash flows together are included in the CGU of the Sales and distribution of LNG and provision of LNG logistic services segment.

The recoverable amount of the unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and discount rate of 19% (2022: 18.4%). Cash flows beyond the 5-year period are extrapolated using a steady 2.5% (2022: 2.7%) growth rate.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

During the years 2022 and 2023, the gross loss incurred by the Group triggered impairment provision. The directors of the Company have consequently determined an impairment related to the CGU in the amount of HK\$33,470,000 as at 31 March 2022. The impairment loss has been included in profit or loss and allocated pro rata to property, plant and equipment, other intangible assets, right-of-use assets, deposits for acquisition of plant and equipment and deposits for acquisition of land use rights, to the extent that the carrying amount of the asset is not reduced below the highest of its fair value less costs of disposal, its value in use and zero. Details are set out in note 12 and notes 14 to 15 to the consolidated financial statements. As at 31 March 2023, the recoverable amount of the CGU amounted to HK\$576 million (2022: HK\$564 million), and thus there is no impairment has been recognised during the year ended 31 March 2023.

Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 14. OTHER INTANGIBLE ASSETS

	Road transportation operation permits of dangerous goods HK\$'000
Cost:	
At 1 April 2021	9,838
Disposal	(668)
Exchange realignment	406
	<hr/>
At 31 March 2022 and 1 April 2022	9,576
Exchange realignment	(703)
<b>At 31 March 2023</b>	<b>8,873</b>
Accumulated amortisation:	
At 1 April 2021	3,006
Charge for the year	944
Written back on disposal	(245)
Exchange realignment	137
	<hr/>
At 31 March 2022 and 1 April 2022	3,842
Charge for the year	885
Exchange realignment	(291)
<b>At 31 March 2023</b>	<b>4,436</b>
Impairment:	
At 1 April 2021	–
Impairment for the year	313
Exchange realignment	5
	<hr/>
At 31 March 2022 and 1 April 2022	318
Exchange realignment	(12)
<b>At 31 March 2023</b>	<b>306</b>
Carrying values:	
<b>At 31 March 2023</b>	<b>4,131</b>
At 31 March 2022	5,416

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 15. RIGHT-OF-USE ASSETS

	Land use rights HK\$'000	Properties HK\$'000	Containers HK\$'000	Total HK\$'000
Cost:				
At 1 April 2021	105,964	14,864	80,257	201,085
New leases	28,190	–	–	28,190
Disposal	(19,972)	–	–	(19,972)
Write-off on termination	–	(5,508)	–	(5,508)
Exchange realignment	4,599	416	4,524	9,539
At 31 March 2022 and 1 April 2022	118,781	9,772	84,781	213,334
New leases	228	9,086	–	9,314
Disposal	(1,636)	–	–	(1,636)
Write-off on termination	–	(5,926)	–	(5,926)
Exchange realignment	(8,724)	(717)	(6,224)	(15,665)
<b>At 31 March 2023</b>	<b>108,649</b>	<b>12,215</b>	<b>78,557</b>	<b>199,421</b>
Accumulated depreciation:				
At 1 April 2021	4,493	7,330	37,042	48,865
Charge for the year	2,501	2,901	25,711	31,113
Written back on disposal	(806)	–	–	(806)
Write-off on termination	–	(5,083)	–	(5,083)
Exchange realignment	216	156	1,940	2,312
At 31 March 2022 and 1 April 2022	6,404	5,304	64,693	76,401
Charge for the year	2,710	4,678	17,537	24,925
Written back on disposal	(88)	–	–	(88)
Write-off on termination	–	(3,238)	–	(3,238)
Exchange realignment	(463)	(380)	(4,705)	(5,548)
<b>At 31 March 2023</b>	<b>8,563</b>	<b>6,364</b>	<b>77,525</b>	<b>92,452</b>
Impairment:				
At 1 April 2021	–	–	–	–
Impairment for the year	–	–	1,113	1,113
At 31 March 2022 and 1 April 2022	–	–	1,113	1,113
Exchange realignment	–	–	(81)	(81)
<b>At 31 March 2023</b>	<b>–</b>	<b>–</b>	<b>1,032</b>	<b>1,032</b>
Net book value:				
<b>At 31 March 2023</b>	<b>100,086</b>	<b>5,851</b>	<b>–</b>	<b>105,937</b>
At 31 March 2022	112,377	4,468	18,975	135,820

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 15. RIGHT-OF-USE ASSETS (continued)

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 27). 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. The related lands are located in the PRC and the lease terms are ranging from 40 to 50 years.

As at 31 March 2023, land use rights with the carrying amount of approximately HK\$66,924,000 (2022: HK\$39,845,000) were pledged to banks to secure banking facilities granted to the Group (Note 26).

Lease liabilities of HK\$5,921,000 (2022: HK\$79,759,000) are recognised with related right-of-use assets of HK\$5,851,000 (2022: HK\$23,443,000) as at 31 March 2023.

## 16. INTERESTS IN JOINT VENTURES

	2023 HK\$'000	2022 HK\$'000
Share of net assets	<b>76,548</b>	77,746

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

Name	Particulars of issued equity held	Place of establishment and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
港海能源(珠海)有限公司 (Formerly known as 港海能源 (上海)有限公司)	Registered capital of RMB 25,500,000 (2022: RMB 25,500,000)	PRC	51 (2022: 51)	(Note)	51 (2022: 51)	Sales and distribution of LNG
石家莊盛冉燃氣貿易有限公司	Registered capital of RMB 80,000,000 (2022: RMB 80,000,000)	PRC	50 (2022: 50)	50 (2022: 50)	50 (2022: 50)	Trading of natural gas and transportation

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 16. INTERESTS IN JOINT VENTURES (continued)

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.

The joint ventures are accounted for using the equity method.

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

	2023 HK\$'000	2022 HK\$'000
Cash and cash equivalents	39,035	44,894
Other current assets	5,868	6,772
Current assets	44,903	51,666
Non-current assets	2,050	1,433
Current liabilities	447	354
Net assets	46,506	52,745
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	23,718	26,900
Carrying amount of the investment	23,718	26,900
Revenue	47,192	49,770
Interest income	1,066	803
Operating expenses	(51,581)	(56,648)
Income tax credit	777	1,279
Loss for the year	(2,546)	(4,796)
Total comprehensive loss for the year	(1,799)	(4,513)

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 16. INTERESTS IN JOINT VENTURES (continued)

- (b) The following table illustrates the summarised financial information in respect of 石家莊盛冉燃氣貿易有限公司 adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2023 HK\$'000	2022 HK\$'000
Cash and cash equivalents	9,983	6,056
Other current assets	61,823	55,789
Current assets	71,806	61,845
Non-current assets	45,386	60,017
Current liabilities	10,045	4,888
Net assets	107,129	116,974
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	53,565	58,487
Carrying amount of the investment	52,830	50,846
Revenue	101,084	278,067
Other income	58	–
Operating expenses	(102,396)	(276,369)
(Loss)/profit for the year	(1,254)	1,698
Total comprehensive income for the year	(1,254)	1,743

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 17. INTERESTS IN ASSOCIATES

	2023 HK\$'000	2022 HK\$'000
Cost of investment in associates	4,826	4,826
Share of post-acquisition losses and other comprehensive loss	(4,299)	(3,855)
Provision for impairment	(488)	(305)
Exchange realignment	(39)	(444)
	-	222

The movements for impairment of interest in associates are as follows:

	2023 HK\$'000	2022 HK\$'000
At beginning for the year	305	7,941
Provision for impairment	205	(1,904)
Written-off of impairment	-	(5,953)
Exchange realignment	(22)	221
At end of the year	488	305

Particulars of associates are as follows:

Name	Principal place of business	Issued/paid up share capital	Percentage of ownership interest attributable to the Group		Principal activities
			2023	2022	
CNOOC (Shanghai) Traffic New Energy Co., Ltd.	PRC/Mainland China	RMB9,000,000/ RMB9,000,000	40%	40%	Sales and distribution of LNG diesel and oil product
Anhui Jugang Energy Co., Ltd.	PRC/Mainland China	RMB5,000,000/ RMB5,000,000	30.25%	30.25%	Sales and distribution of LNG diesel and oil product

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 17. INTERESTS IN ASSOCIATES (continued)

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

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

	2023 HK\$'000	2022 HK\$'000
Share of the associates' loss for the year	-	(2,626)
Share of the associates' total comprehensive loss	-	(33)
Aggregate carrying amount of the Group's investments in the associates	-	222

## 18. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
LNG	9,033	9,958

## 19. LNG FINANCE LEASE RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Gross receivables	37,432	40,398
Less: Allowance for credit losses	(26,999)	(30,181)
	10,433	10,217

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 of 2 years (2022: periods of 2 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. As at 31 March 2023, the gross receivables under finance lease contracts is approximately HK\$25,457,000 (2022: HK\$27,474,000).

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 2 years to 3 years (2022: 2 years to 3 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. As at 31 March 2023, the gross receivables under finance lease arrangements is approximately HK\$11,975,000 (2022: HK\$12,924,000)

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 19. LNG FINANCE LEASE RECEIVABLES (continued)

At 31 March 2022 and 2023, the effective interest rates applicable to the finance lease ranged from approximately 0% per annum.

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

### As at 31 March 2023

	Past due						Total
	Current	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	Over 1 year	
Expected credit losses rate	-	-	-	-	-	72.13%	
Gross carrying amount (HK\$'000)	-	-	-	-	-	37,432	37,432
Expected credit losses (HK\$'000)	-	-	-	-	-	26,999	26,999

### As at 31 March 2022

	Past due						Total
	Current	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	Over 1 year	
Expected credit losses rate	-	-	-	-	-	74.71%	
Gross carrying amount (HK\$'000)	-	-	-	-	-	40,398	40,398
Expected credit losses (HK\$'000)	-	-	-	-	-	30,181	30,181

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

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	30,181	38,760
Reversal of impairment	(963)	(10,070)
Exchange realignment	(2,219)	1,491
At end of the year	26,999	30,181

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 20. LOAN AND REIMBURSEMENT RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Loan receivables		
Less: Allowance for credit losses	<b>142,431</b> <b>(142,431)</b>	147,945 (143,488)
Reimbursement receivables	– <b>112,787</b>	4,457 113,845
	<b>112,787</b>	118,302

Loan receivables relate to 2 (2022: 2) customers in money lending business. The Group seeks to maintain strict control over its outstanding loan receivables so as to minimise credit risk. Loan receivables are charged at the interest rates at fixed rates of 1% to 4.63% (2022: 1% to 4.63) per annum. The loan receivables are secured.

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

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	<b>143,488</b>	193,587
Impairment	<b>4,515</b>	19,221
Written off	<b>(5,572)</b>	(69,320)
At end of the year	<b>142,431</b>	143,488

The Group holds collateral or other credit enhancement over its loan and reimbursement receivables balance of HK\$142,431,000 (2022: HK\$147,945,000).

Included in the loan receivables are loans of HK\$112,787,000 (2022: HK\$118,302,000) to a former non-controlling shareholder of Key Fit Group Limited, a 60.42%-owned subsidiary of the Company, the loans are collateralised with shares of Key Fit Group Limited and the Company. Dr. Kan provided personal undertaking to purchase the aforementioned loans as at 31 March 2023 and 2022, should the loans are not recovered in full by the Group and accordingly the Group recognises reimbursement receivable of HK\$112,787,000 (2022: HK\$113,845,000) as it is virtually certain that Dr. Kan will reimburse the Group for the loss that the Group might incur if the borrower fails to pay when due.

Lifetime probability of default rate of 100% (2022: 100%) and loss given default rate of 0% (2022: 0%) are applied in the calculation of impairment on the reimbursement receivables.

The remaining loans of HK\$29,643,000 (2022: HK\$29,643,000) are collateralised with shares of the Company as at year ended 31 March 2023. At 31 March 2022, an impairment of HK\$29,643,000 was made. Lifetime probability of default rate of 100% and loss given default rate of 100% are applied in the impairment calculation.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 21. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Notes	2023 HK\$'000	2022 HK\$'000
Accounts receivables arising from securities brokerage business	(a)		
Cash clients		317	317
Less: Allowance for credit losses		(317)	(317)
		-	-
Margin clients		3,787	5,568
Less: Allowance for credit losses		(3,787)	(4,173)
		-	1,395
Accounts receivables arising from LNG business	(b)	37,886	48,222
Less: Allowance for credit losses		(28,655)	(29,361)
		9,231	18,861
Total accounts receivables		9,231	20,256
Deposits and other receivables	(c)	28,279	89,796
Less: Allowance for credit losses		(9,959)	(10,799)
		18,320	78,997
Loans to third parties	(d)	2,010	2,169
Amount due from a joint venture	(e)	-	2,222
Total other receivables		20,330	83,388
Prepayments		34,722	43,562
Value-added tax recoverable		13,649	51,023
		77,932	198,229

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 2023 and 2022, the accounts receivables from margin clients were repayable on demand, interest-bearing at 9.25% (2022: 9.25%) per annum and secured by clients' securities that are listed on the Stock Exchange with a total market value of HK\$Nil (2022: approximately HK\$1,422,000).

No detailed aging 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 21. 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 2023			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
At 1 April 2022 and 31 March 2023	-	-	4,104	4,104
Arising from:				
Cash clients	-	-	317	317
Margin clients	-	-	3,787	3,787
ECL rate	-	-	100%	
	31 March 2022			Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	
At 1 April 2021 and 31 March 2022	-	-	4,490	4,490
Arising from:				
Cash clients	-	-	317	317
Margin clients	-	-	4,173	4,173
ECL rate	-	-	76.3%	

During the year 31 March 2023 and 2022, no accounts receivables arising from cash clients and margin clients changed the classification among stage 1, 2 and 3, or changes in risk parameters.

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

	2023 HK\$'000	2022 HK\$'000
Within 3 months	8,721	13,779
4 to 6 months	40	5,009
7 to 9 months	82	73
10 to 12 months	114	-
Over 12 months	274	-
	<b>9,231</b>	18,861

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 21. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

Notes: (continued)

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

	2023 HK\$'000	2022 HK\$'000
At beginning of the year	29,361	31,410
Impairment/(reversal of impairment) for the year	1,447	(3,329)
Exchange realignment	(2,153)	1,280
At end of the year	28,655	29,361

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 2023

	Current	Past due				Total
		Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months or above	
Expected credit losses rate	4.38%	62.61%	67.59%	83.45%	99.01%	
Gross carrying amount (HK\$'000)	9,120	107	253	689	27,717	37,886
Expected credit losses (HK\$'000)	399	67	171	575	27,443	28,655

### As at 31 March 2022

	Current	Past due				Total
		Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months or above	
Expected credit losses rate	4.40%	22.54%	71.43%	92.74%	100%	
Gross carrying amount (HK\$'000)	14,413	6,425	112	1,005	26,267	48,222
Expected credit losses (HK\$'000)	634	1,448	80	932	26,267	29,361

- (c) The balance mainly represents rental deposits and deposits with suppliers. Expected credit losses are estimated using a credit rating on debtors based on the Group's historical credit loss experience, adjusted for (a) information that is specific to particular debtors and (b) forward-looking information based on the current and forecast general economic conditions available to the Group without undue cost or effort at the reporting date. Expected credit loss is recognised in profit or loss with the corresponding adjustment to the carrying amount of other receivables through a loss allowance account. The expected credit loss of other receivables for the year is approximately HK\$9,959,000 (2022: HK\$10,799,000).

The movements in the loss allowance for impairment of deposits and other receivables are as follows:

	12-month ECL HK\$	Lifetime ECL – credit impaired HK\$	Total HK\$
At 1 April 2021	–	3,056	3,056
Increase during the year, net	1,775	9,024	10,799
Written off during the year	–	(3,056)	(3,056)
At 31 March 2022	1,775	9,024	10,799
	12-month ECL HK\$	Lifetime ECL – credit impaired HK\$	Total HK\$
At 1 April 2022	1,775	9,024	10,799
Increase/(decrease) during the year, net	(1,751)	911	(840)
At 31 March 2023	24	9,935	9,959

- (d) The loans were unsecured, interest-bearing at 8% (2022: 8%) per annum and repayable on demand.
- (e) The amount was unsecured, interest-free and repayable on demand.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 22. BANK BALANCES HELD ON BEHALF OF CLIENTS

The Group ceased to carry on the securities trading business and was in the process of returning client assets during the years ended 31 March 2023 and 2022. On 14 June 2023, the Group lodged an application with the High Court to release the unclaimed bank balances of HK\$608,000 back to the Group for unrestricted use, following the cessation of the securities brokerage business.

## 23. CASH AND CASH EQUIVALENTS

	2023 HK\$'000	2022 HK\$'000
Cash and bank balances	30,971	26,154
Cash on hand	798	447
	<b>31,769</b>	26,601

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$26,162,000 (2022: HK\$19,379,000). 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.

## 24. ACCOUNTS PAYABLES

	Notes	2023 HK\$'000	2022 HK\$'000
Accounts payables arising from securities brokerage business			
Cash clients	(a)	473	927
Margin clients	(a)	135	75
Accounts payables arising from LNG business	(b)	130,734	146,154
		<b>131,342</b>	147,156

Note:

- (a) The Group ceased to carry on the securities brokerage business and was in the process of returning client assets during the years ended 31 March 2023 and 2022.
- (b) An aging analysis of the accounts payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023 HK\$'000	2022 HK\$'000
Within 3 months	33,963	92,293
4 to 6 months	10,031	21,109
Over 6 months	86,740	32,752
	<b>130,734</b>	146,154

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 25. OTHER PAYABLES AND ACCRUALS

	Notes	2023 HK\$'000	2022 HK\$'000
Accruals and other payables		<b>128,184</b>	89,803
Contract liabilities	(a)	<b>16,981</b>	21,457
Loans from a shareholder	(b)	<b>476,430</b>	466,930
Interest payable on loans from a shareholder	(b)	<b>63,307</b>	38,544
Payable for the right to acquire property, plant and equipment	12	<b>298,426</b>	322,069
		<b>983,328</b>	938,803
Non-current portion of loans from a shareholder		<b>(476,430)</b>	(466,930)
Current portion		<b>506,898</b>	471,873

Notes:

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

	2023 HK\$'000	2022 HK\$'000
At the beginning of year	<b>21,457</b>	25,320
Increase in contract liabilities as a result of consideration received from customers during the year	<b>7,195</b>	17,631
Decrease in contract liabilities as a result of recognising revenue during the year which was included in the contract liabilities at the beginning of the year	<b>(10,095)</b>	(22,492)
Exchange realignment	<b>(1,576)</b>	998
At the end of year	<b>16,981</b>	21,457

- (b) Balance of HK\$476,430,000 (2022: HK\$466,930,000) represented loans from a shareholder, Dr. Kan, which bore interest at 5% to 8% per annum (2022: bore interest at 5% to 8% per annum), unsecured and repayable on demand. During the year 2023, Dr. Kan agreed not to demand repayment of these loans until 30 June 2024. During the year 2022, Dr. Kan agreed not to demand repayment of these loans until 30 June 2023 and to waive the interest incurred of HK\$9,622,000. Balance of HK\$63,307,000 (2022: HK\$38,544,000) represents interest on the loans from a shareholder.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 26. INTEREST-BEARING BANK BORROWINGS

The Group's bank loan are repayable as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	<b>88,323</b>	49,706
In the second to fifth year inclusive	<b>15,170</b>	29,932
After five years	<b>11,514</b>	16,520
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>115,007</b> <b>(88,323)</b>	96,158 (49,706)
	<b>26,684</b>	46,452

All the Group's bank borrowings are denominated in Renminbi.

### 31 March 2023

	Interest rate (%) p.a.	Maturity	HK\$000
Bank loan (a), secured	Loan prime rate* plus 2.15%	December 2023	<b>11,423</b>
Bank loan (b), secured	Loan prime rate* plus 2.15%	December 2023	<b>11,423</b>
Bank loan (c), secured	Loan prime rate	February 2024	<b>11,423</b>
Bank loan (d), secured	Loan prime rate* plus 1%	January 2031	<b>30,477</b>
Bank loan (e), secured	Loan prime rate* plus 1.89728%	January 2024	<b>14,850</b>
Bank loan (f), secured	6%	December 2023	<b>11,423</b>
Bank loan (g), secured	5.65%	December 2023	<b>3,426</b>
Bank loan (h), secured	Loan prime rate* plus 0.65%	September 2023	<b>5,712</b>
Bank loan (i), secured	5.2%	January 2024	<b>5,712</b>
Bank loan (j), secured	5.5%	December 2023	<b>5,712</b>
Bank loan (k), secured	Loan prime rate* plus 1.15%	March 2024	<b>3,426</b>
			<b>115,007</b>

### 31 March 2022

	Interest rate (%) p.a.	Maturity	HK\$'000
Bank loan (a), secured	Loan prime rate* plus 2.15%	November 2022	24,656
Bank loan (b), secured	Loan prime rate* plus 1.90%	January 2024	16,026
Bank loan (c), secured	Loan prime rate* plus 1%	January 2031	36,984
Bank loan (d), secured	6%	December 2022	12,328
Bank loan (e), secured	6.35%	February 2023	6,164
			96,158

\* 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 26. INTEREST-BEARING BANK BORROWINGS (continued)

At 31 March 2023, the bank loans are supported by corporate guarantee provided by certain of the Company's wholly-owned subsidiaries, personal guarantee provided by certain non-controlling shareholders of subsidiaries, and land use rights with carrying amount of approximately HK\$66,924,000 (2022: approximately HK\$39,845,000), and property, plant and equipment with carrying amount of approximately HK\$18,591,000 (2022: approximately HK\$28,603,000).

At 31 March 2023 and 2022, the Group's bank borrowings are denominated in RMB.

At 31 March 2023, the Group has available unutilised bank loan facilities of approximately RMB12,320,000, equivalent to HK\$14,073,000 (2022: RMB48,000,000, equivalent to HK\$59,174,000).

## 27. 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 minimum lease payments	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	4,888	78,011	4,762	77,133
More than one year	1,190	2,950	1,159	2,626
Total minimum finance lease payments	6,078	80,961	5,921	79,759
Future finance charges	(157)	(1,202)		
Present value of lease obligations	5,921	79,759		

The weighted average incremental borrowing rates applied to lease liabilities range from 3.65% to 5.63% (2022: from 3.65% to 4.75%).

## 28. SHARE CAPITAL

	2023	2022
	HK\$'000	HK\$'000
Issued and fully paid: 5,643,797,090 (2022: 5,643,797,090) ordinary shares	112,876	112,876

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

	Number of shares in issue	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	5,643,797,090	112,876	434,385	547,261

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 29. RESERVES

### Group

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

### Nature and purpose of reserve

#### (i) Special reserve

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.

#### (ii) Treasury shares

Treasury shares arose from the foreclosure of the Company's own shares, which were used as collateral by a borrower of loan receivables and by a margin client for securities trading. The foreclosure occurred due to the default of the relevant receivables. The shares have been taken into possession by the Group. The treasury shares is dealt with in accordance with the accounting policies set out in note 2.4 to the consolidated financial statements and details of treasury shares is referred to page 32 of the annual report under the heading of "PURCHASE, REDEMPTION OF SALE OF LISTED SECURITIES OF THE COMPANY".

#### (iii) Share premium

The application of the share premium account is governed by the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The share premium account of the Company is distributable to the owners of the Company in the form of fully paid bonus shares

#### (iv) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 2.4 to the consolidated financial statements.

#### (v) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2.4 to the consolidated financial statements.

## 30. 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 30. SHARE OPTION SCHEME (continued)

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).

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 Consolidated Financial Statements

For the year ended 31 March 2023

## 30. SHARE OPTION SCHEME (continued)

- (a) A summary of the movements of share options granted during the years ended 31 March 2023 and 2022 is as follows:

	Date of granted	Exercise period	Exercise period in HKS per share	Outstanding as at 1 April 2021	Number of share options					
					Granted during the year	Cancelled during the year	Outstanding as at 31 March 2022 and 1 April 2022	Granted during the year	Cancelled during the year	Outstanding as at 31 March 2023
Director	31 December 2019	31 December 2021 to 31 December 2029	0.53	1,692,000	-	-	1,692,000	-	-	1,692,000
		31 December 2022 to 31 December 2029	0.53	1,692,000	-	-	1,692,000	-	-	1,692,000
		31 December 2022 to 31 December 2029	0.53	2,256,000	-	-	2,256,000	-	-	2,256,000
Employees	31 December 2019	31 December 2021 to 31 December 2029	0.53	6,000,000	-	-	6,000,000	-	-	6,000,000
		31 December 2022 to 31 December 2029	0.53	6,000,000	-	-	6,000,000	-	-	6,000,000
		31 December 2022 to 31 December 2029	0.53	8,000,000	-	-	8,000,000	-	-	8,000,000
Employees	15 April 2020	15 April 2022 to 15 April 2030	0.248	1,200,000	-	(1,200,000)	-	-	-	-
		15 April 2023 to 15 April 2030	0.248	1,200,000	-	(1,200,000)	-	-	-	-
		15 April 2024 to 15 April 2030	0.248	1,600,000	-	(1,600,000)	-	-	-	-
Employees	31 March 2021	31 March 2023 to 31 March 2031	0.5	10,350,000	-	(1,815,000)	8,535,000	-	(1,320,000)	7,215,000
		31 March 2024 to 31 March 2031	0.5	10,350,000	-	(1,815,000)	8,535,000	-	(1,320,000)	7,215,000
		31 March 2025 to 31 March 2031	0.5	13,800,000	-	(2,420,000)	11,380,000	-	(1,760,000)	9,620,000
Director	16 July 2021	16 July 2023 to 16 July 2031	0.5	-	30,000,000	-	30,000,000	-	-	30,000,000
		16 July 2024 to 16 July 2031	0.5	-	30,000,000	-	30,000,000	-	-	30,000,000
		16 July 2025 to 16 July 2031	0.5	-	40,000,000	-	40,000,000	-	-	40,000,000
Employees	30 September 2021	31 March 2023 to 31 March 2031	0.5	-	2,700,000	(90,000)	2,610,000	-	(2,250,000)	360,000
		31 March 2024 to 31 March 2031	0.5	-	2,700,000	(90,000)	2,610,000	-	(2,250,000)	360,000
		31 March 2025 to 31 March 2031	0.5	-	3,600,000	(120,000)	3,480,000	-	(3,000,000)	480,000
Employee	24 January 2022	24 January 2024 to 24 January 2032	0.5	-	300,000	-	300,000	-	-	300,000
		24 January 2025 to 24 January 2032	0.5	-	300,000	-	300,000	-	-	300,000
		24 January 2026 to 24 January 2032	0.5	-	400,000	-	400,000	-	-	400,000
Employee	26 April 2022	26 April 2024 to 26 April 2032	0.5	-	-	-	-	900,000	-	900,000
		26 April 2025 to 26 April 2032	0.5	-	-	-	-	900,000	-	900,000
		26 April 2026 to 26 April 2032	0.5	-	-	-	-	1,200,000	-	1,200,000
				64,140,000	110,000,000	(10,350,000)	163,790,000	3,000,000	(11,900,000)	154,890,000

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 30. SHARE OPTION SCHEME (continued)

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

	2023		2022	
	Weighted average of exercise price HK\$	Number of options	Weighted average of exercise price HK\$	Number of options
Outstanding at the beginning of year	0.505	163,790,000	0.496	64,140,000
Granted during the year	0.500	3,000,000	0.500	110,000,000
Cancelled during the year	0.500	(11,900,000)	0.403	(10,350,000)
Outstanding at the end of year	0.505	154,890,000	0.505	163,790,000

There were 11,900,000 (2022: 10,350,000) share options cancelled during the year ended 31 March 2023.

The share options outstanding at 31 March 2023 had a weighted average exercise price of HK\$0.505 (2022: HK\$0.505) and a weighted average remaining contractual life of 8.02 years (2022: 9.02 years).

(c) Fair value of share options granted

Fair value of share options granted during the years ended 31 March 2023 and 2022 was as follows:

### 2023

Grantees	Position	Date of grant	Number of share of the Company to be issued upon exercise of the options granted to such grantee in full	Fair value of the options granted (in HK\$'000)
<b>Director</b>				
Dr. Kan	Chairman, Executive	31 December 2019	5,640,000	1,902
	Director and Substantial shareholder of the Company	16 July 2021	100,000,000	24,915
<b>Employees</b>				
Wang Guoliang	Deputy General Manager	31 December 2019	20,000,000	5,973
		31 March 2021	20,000,000	5,270
Chan Mui	Chief Financial Officer	24 January 2022	1,000,000	176
		26 April 2022	3,000,000	255
Employees (note 2)		31 March 2021	11,500,000	3,030
		30 September 2021	9,000,000	1,700

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 30. SHARE OPTION SCHEME (continued)

(c) Fair value of share options granted (continued)

2022

Grantees	Position	Date of grant	Number of share of the Company to be issued upon exercise of the options granted to such grantee in full	Fair value of the options granted (in HK\$'000)
<b>Director</b>				
Dr. Kan	Chairman, Executive Director and Substantial shareholder of the Company	31 December 2019	5,640,000	1,902
		16 July 2021	100,000,000	24,915
<b>Employees</b>				
Wang Guoliang	Deputy General Manager	31 December 2019	20,000,000	5,973
		31 March 2021	20,000,000	5,270
Chan Mui	Chief Financial Officer	24 January 2022	1,000,000	176
Wong Lai Shan (note 1)	Financial Controller	15 April 2020	4,000,000	544
		31 March 2021	3,000,000	790
Employees		31 March 2021	11,500,000	3,030
		30 September 2021	9,000,000	1,700

Note 1: Ms. Wong Lai Shan terminated her employment with the Group on 31 January 2022 and 7,000,000 share options granted to Ms. Wong at fair value amounted to HK\$1,334,000 were cancelled on 31 January 2022.

Note 2: Certain employees terminated their employments with the Group during the year. There were 11,900,000 (2022: 3,350,000) share options at fair value amounted to HK\$2,577,000 (2022: HK\$860,000) cancelled during the year ended 31 March 2023.

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.

	26 April 2022	24 January 2022	30 September 2021	16 July 2021	31 March 2021	15 April 2020	31 December 2019
The closing price of the Company's share immediately before the date of grant (HK\$)	0.23	0.37	0.36	0.425	0.48	0.249	0.53
Share price of the Company at the date of grant (HK\$)	0.23	0.37	0.35	0.425	0.47	0.248	0.53
Exercise price (HK\$)	0.50	0.50	0.50	0.50	0.50	0.248	0.53
Expected volatility (%)	66.918	68.123	68.377	68.202	68.849	68.074	69.113
Expected dividend yield (%)	0	0	0	0	0	0	0
Risk-free interest rate (%)	2.610	1.556	1.156	0.946	1.1323	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 Consolidated Financial Statements

For the year ended 31 March 2023

## 31. DISPOSAL OF SUBSIDIARIES

### (a) Disposal of subsidiaries during the year ended 31 March 2022

On 9 July 2021, Gangzong Trading (Zhuhai) Company Limited (“**Gangzong Trading**”), an indirect wholly-owned subsidiary of the Company and SINOPEC Fuel Oil Sales Company Limited (“**Sinopec**”) entered into a sale and purchase agreement, pursuant to which the subsidiary has conditionally agreed to sell and Sinopec has conditionally agreed to purchase 50% equity interests in Shijiazhuang Sheng Ran Gas Trading Co., Ltd at a consideration of RMB23,000,000 (approximately to HK\$27,946,000) subject to adjustment.

Upon the completion of the disposal of the 50% interest in Shijiazhuang Sheng Ran Gas Trading Co., Ltd on 6 September 2021, Shijiazhuang Sheng Ran Gas Trading Co., Ltd ceased to be a subsidiary of the Company, and became a 50% joint venture of the Group and is accounted for using equity method. Each of the Group and Sinopec agreed to inject the additional capital of RMB23,000,000 into the joint venture. The Group had injected RMB23,000,000 before the completion date. Details of the transaction are set out in the Company’s Circular dated 24 September 2021.

	HK\$'000
Property, plant and equipment	55,435
Deposits and other receivables	35,566
Cash and cash equivalents	23,754
Accounts and other payables	(39,535)
Capital injection by the Group before completion date	(27,946)
	47,274
Fair value of interest in a joint venture retained on loss of control of a subsidiary	(21,301)
Release of exchange reserve	(3,688)
Loss on disposal of a subsidiary	(984)
	23,301
Satisfied by:	
Cash consideration	21,301

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Shijiazhuang Sheng Ran Gas Trading Co., Ltd during the year was as follows:

	HK\$'000
Cash consideration received	21,301
Cash and cash equivalents disposed of	(23,754)
	(2,453)

### (b) Deregistration of subsidiaries during the years ended 31 March 2023 and 2022

Deregistration of subsidiaries during the years ended 31 March:

	2023 HK\$	2022 HK\$
Total assets (excluded cash and cash equivalents) (Note)	2,391	148
Total liabilities	(2,841)	–
Gain/(loss) on deregistration of subsidiaries	449	(146)
Exchange realignment	1	2
	–	–

Notes: There is no impact on cash flow in respect of the deregistration of subsidiaries.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Changes in liabilities arising from financing activities

	Loans from a shareholder HK\$'000	Interest- bearing bank borrowings HK\$'000	Other payables and accruals HK\$'000	Lease liabilities HK\$'000
<b>31 March 2023</b>				
At 1 April 2022	466,930	96,158	471,873	79,759
Changes from financing activities				
– Capital element of lease liabilities paid	–	–	–	(4,711)
– Interest element of lease liabilities paid	–	–	–	(213)
– Loan from a shareholder	11,531	–	–	–
– Repayment to a shareholder	(130)	–	–	–
– Interest paid on interest-bearing bank borrowings	–	(6,109)	–	–
– Interest paid on loans from third parties	–	–	(426)	–
– New bank loans	–	75,200	–	–
– Repayment of bank loan	–	(49,359)	–	–
Interest expenses	–	6,109	27,883	867
Transfer to other payables and accruals	–	–	70,335	(70,335)
Changes classified as operating cash flows	–	–	(36,590)	–
New lease	–	–	–	9,086
Termination of lease	–	–	–	(2,688)
Foreign exchange movement	(1,901)	(6,992)	(26,177)	(5,844)
<b>At 31 March 2023</b>	<b>476,430</b>	<b>115,007</b>	<b>506,898</b>	<b>5,921</b>
	Loans from a shareholder HK\$'000	Interest- bearing bank borrowings HK\$'000	Other payables and accruals HK\$'000	Lease liabilities HK\$'000
<b>31 March 2022</b>				
At 1 April 2021	434,981	76,882	463,978	79,710
Changes from financing activities				
– Capital element of lease liabilities paid	–	–	–	(2,821)
– Interest element of lease liabilities paid	–	–	–	(2,813)
– Loan from a shareholder	31,577	–	–	–
– Repayment to a shareholder	(1)	–	–	–
– Prepayment of loans from third parties	–	–	(2,129)	–
– Interest paid on interest-bearing bank borrowings	–	(4,362)	–	–
– Interest paid on loans from third parties	–	–	(205)	–
– New bank loans	–	18,226	–	–
– Repayment of bank loan	–	(2,430)	–	–
Interest expenses	–	4,362	3,926	2,813
Disposal of subsidiaries	–	–	(39,535)	–
Changes classified as operating cash flows	–	–	40,440	–
Termination of lease	–	–	–	(441)
Foreign exchange movement	373	3,480	5,398	3,311
<b>At 31 March 2022</b>	<b>466,930</b>	<b>96,158</b>	<b>471,873</b>	<b>79,759</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (b) Major non-cash transactions

Additions to right-of-use assets during the year of HK\$9,314,000 (2022: HK\$28,109,000) were financed by leases liabilities.

Outstanding lease payments of HK\$70,335,000 (2022: Nil) was reclassified from lease liabilities to other payables due to end of the lease contracts in December 2022.

## 33. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2023 HK\$'000	2022 HK\$'000
Contracted but not provided for: Property, plant and equipment	228,987	264,356

## 34. 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.

	2023 HK\$'000	2022 HK\$'000
Provision of LNG logistic service to joint ventures (Note 1)	8,320	38,098
Purchase from joint ventures (Note 1)	(100,020)	(47,382)
Interest expense on loans from an executive director and the substantial shareholder (Note 2)	(23,291)	(567)

Notes:

- (1) The joint ventures are 港海能源(珠海)有限公司 and 石家莊盛冉燃氣貿易有限公司
- (2) 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 constitute 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 (2022: HK\$800,000,000) to the Company by Dr. Kan. At 31 March 2023, this facility had been utilised to the extent of HK\$539,737,000 (2022: HK\$505,474,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 34. RELATED PARTY TRANSACTIONS (continued)

- (c) Compensation of key management personnel

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

	2023 HK\$'000	2022 HK\$'000
Short-term benefits	1,150	15,065
Post-employment benefits	18	1,842
Share-based payments	9,089	8,123
	<b>10,257</b>	25,030

Further details of director's emoluments are included in note 7 to the consolidated financial statements.

- (d) Outstanding balances with related parties

- (i) Details of the Group's loans from a shareholder, Dr. Kan, are included in note 25(b) to the consolidated financial statements.
- (ii) Details of the loan to a joint venture is included in notes 16 and 21 to the consolidated financial statements.
- (iii) Certain properties under right-of-use assets are guaranteed by the substantial shareholder, Dr. Kan.

## 35. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2023	2022
Percentage of equity interest held by non-controlling interests: Key Fit Group Limited and its subsidiaries	<b>39.58%</b>	39.58%
	<b>2023 HK\$'000</b>	2022 HK\$'000
(Loss)/profit for the year allocated to non-controlling interests: Key Fit Group Limited and its subsidiaries	<b>(8,124)</b>	7,304
Accumulated balances of non-controlling interests at the reporting date: Key Fit Group Limited and its subsidiaries	<b>54,896</b>	115,117



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 35. 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:

	<b>Key Fit Group Limited and its subsidiaries HK\$'000</b>
<b>Year ended 31 March 2023</b>	
Revenue	57
Total other income and expense, net	(17,115)
Loss for the year	(17,085)
Total comprehensive income for the year	(12,823)
Current assets	439,309
Non-current assets	4,664
Non-current liability	(163)
Current liabilities	(308,566)
Net cash flows from operating activities	68,928
Net cash flows from investing activities	–
Net cash flows from financing activities	(69,242)
Net decrease in cash and cash equivalents	(314)
	Key Fit Group Limited and its subsidiaries HK\$'000
<b>Year ended 31 March 2022</b>	
Revenue	936
Total other income and expense, net	19,390
Profit for the year	18,454
Total comprehensive income for the year	10,455
Current assets	595,904
Non-current assets	384
Non-current liability	(12,327)
Current liabilities	(293,115)
Net cash flows from operating activities	1,718
Net cash flows from investing activities	–
Net cash flows from financing activities	(30)
Net increase in cash and cash equivalents	1,688

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 36. 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

	2023 HK\$'000	2022 HK\$'000
Financial assets at fair value through profit or loss	4	3
LNG finance lease receivables	10,433	10,217
Loan receivables	112,787	118,302
Accounts receivables	9,231	20,256
Financial assets included in deposits and other receivables	20,330	83,388
Bank balances held on behalf of clients	608	995
Cash and cash equivalents	31,769	26,601
	<b>185,162</b>	259,762

### Financial liabilities

	2023 HK\$'000	2022 HK\$'000
Accounts payables	131,342	147,156
Financial liabilities included in other payables and accruals	966,347	917,346
Interest-bearing bank borrowings	115,007	96,158
Lease liabilities	5,921	79,759
	<b>1,218,617</b>	1,240,419

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

## 37. 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, financial assets at fair value through profit or loss, loans from third parties, accounts and other payables, interest-bearing bank borrowings and lease liabilities. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Maximum exposure as at 31 March 2023

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 2023. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
LNG finance lease receivables *	-	-	-	37,432	37,432
Loan receivables **	-	-	142,431	-	142,431
Reimbursement receivables **	-	-	112,787	-	112,787
Accounts receivables arising from securities brokerage business**					
– LTV at 100% or above	-	-	3,787	-	3,787
– Cash client	-	-	317	-	317
Accounts receivables arising from LNG business *	-	-	-	37,886	37,886
Financial assets included in deposits and other receivables **	14,085	-	14,194	-	28,279
Loans to third parties **	2,010	-	-	-	2,010
Bank balances held on behalf of client **	608	-	-	-	608
Cash and cash equivalents **	31,769	-	-	-	31,769
	<b>48,472</b>	<b>-</b>	<b>273,516</b>	<b>75,318</b>	<b>397,306</b>

\* 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/stage 1” 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. It will become “doubtful/stage 2” if there have been significant increases in credit risk since initial recognition through internal or external sources of information and “default/stage 3” if there is indication that the receivables is credit-impaired.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Maximum exposure as at 31 March 2022

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 2022. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs		Lifetime ECLs		Total HK\$'000
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
LNG finance lease receivables *	–	–	–	40,398	40,398
Loan receivables **	–	–	147,945	–	147,945
Reimbursement receivables **	–	–	113,845	–	113,845
Accounts receivables arising from securities brokerage business**					
– LTV at 100% or above	–	–	5,568	–	5,568
– Cash client	–	–	317	–	317
Accounts receivables arising from LNG business *	–	–	–	48,222	48,222
Financial assets included in deposits and other receivables **	78,508	–	11,288	–	89,796
Loans to third parties **	2,169	–	–	–	2,169
Amount due from a joint venture **	2,222	–	–	–	2,222
Bank balances held on behalf of client **	995	–	–	–	995
Cash and cash equivalents **	26,601	–	–	–	26,601
	110,495	–	278,963	88,620	478,078

\* 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/stage 1” 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. It will become “doubtful/stage 2” if there have been significant increases in credit risk since initial recognition through internal or external sources of information and “default/stage 3” if there is indication that the receivables is credit-impaired.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 37. 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
<b>31 March 2023</b>			
Interest-bearing bank borrowings	100 basis points	1,150	–
<b>31 March 2022</b>			
Interest-bearing bank borrowings	100 basis points	962	–

\* 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 37. 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).

	Change in exchange rate %	Decrease in loss before tax HK\$'000
<b>31 March 2023</b>		
If Hong Kong dollar weakens against Renminbi	5	(1,948)
<b>31 March 2022</b>		
If Hong Kong dollar weakens against Renminbi	5	(2,213)

### 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 2023			Total HK\$'000
	On demand and less than 12 months HK\$'000	1 to 5 years HK\$'000	After 5 years HK\$'000	
Accounts payables	131,342	–	–	131,342
Financial liabilities included in other payables and accruals	489,917	476,430	–	966,347
Interest-bearing bank borrowings	92,052	19,016	13,598	124,666
Lease liabilities	4,888	1,190	–	6,078
	<b>718,199</b>	<b>496,636</b>	<b>13,598</b>	<b>1,228,433</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk (continued)

	31 March 2022			
	On demand and less than 12 months HK\$'000	1 to 5 years HK\$'000	After 5 years HK\$'000	Total HK\$'000
	Accounts payables	147,156	–	–
Financial liabilities included in other payables and accruals	439,321	478,025	–	917,346
Interest-bearing bank borrowings	54,593	39,055	24,517	118,165
Lease liabilities	78,011	2,216	734	80,961
	719,081	519,296	25,251	1,263,628

### 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 2023 and 2022.

The Group monitors capital using a gearing ratio, which is total debts divided by the total equity of the Group. Total debts include loans from a shareholder and interest-bearing bank borrowings. Capital includes total equity of the Group. The gearing ratios as at the end of the reporting periods were as follows:

	2023 HK\$'000	2022 HK\$'000
Loans from a shareholder	476,430	466,930
Interest-bearing bank borrowings	115,007	96,158
Total debts	591,437	563,088
Total equity	94,093	320,614
Gearing ratio	628.6%	175.6%

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Fair value measurement

Disclosures of level in fair value hierarchy at 31 March:

Description	Fair value measurements using:			Total 2023 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Financial assets</b>				
Financial assets at FVTPL				
Listed equity securities	4	–	–	4

Description	Fair value measurements using:			Total 2022 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Financial assets</b>				
Financial assets at FVTPL				
Listed equity securities	3	–	–	3

## 38. EVENT AFTER REPORTING PERIOD

On 11 May 2023, the authorised representative of the Company had been duly served a statutory demand dated 28 April 2023 (the “**Statutory Demand**”) from the solicitors acting on behalf of a creditor pursuant to Section 178(1)(a) or Section 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of Laws of Hong Kong), demanding the Company to pay the amount of HK\$60,317,749 (the “**Debt**”), being a judgment debt against the Company’s indirect wholly-owned subsidiary, Great Trend Investment Management (Shanghai) Company Limited\* (“**Great Trend**”) which the Company acts as a guarantor pursuant to a judgment issued by the Higher People’s Court of Tianjin Municipality (the “**Court**”).

The Statutory Demand requested the Company to settle the Debt within three weeks from the date of service of the Statutory Demand, failing which the creditor may present a winding-up petition against the Company. The Company is now actively seeking legal advice in respect of the Debt under the Statutory Demand, and will adopt all effective measures to safeguard the interests of the shareholders and the Company.

In light of the above, the Company had through its legal advisors, requested the creditor to undertake not to present any winding-up petition against the Company in reliance on the Statutory Demand, and assurance has been obtained from the solicitors of the creditor that the creditor will not proceed to take out winding-up petition against the Company for the time being.

The Company is of the view that the Statutory Demand currently does not affect the normal business and operations of the Group, and will not have any material and adverse impacts on the overall business, operation or financial performance of the Group.

Please refer to the announcement dated 16 May 2023 for details.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 39. 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:

	2023 HK\$'000	2022 HK\$'000
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	<b>41,870</b>	41,870
Total non-current assets	<b>41,870</b>	41,870
<b>CURRENT ASSETS</b>		
Amount due from a subsidiary	<b>620,206</b>	733,206
Other receivable and prepayments	<b>658</b>	585
Cash and cash equivalents	<b>543</b>	449
Total current assets	<b>621,407</b>	734,240
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	<b>927</b>	1,563
Amounts due to subsidiaries	<b>349,036</b>	351,244
Total current liabilities	<b>349,963</b>	352,807
<b>NET CURRENT ASSETS</b>	<b>271,444</b>	381,433
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>313,314</b>	423,303
<b>NON-CURRENT LIABILITY</b>		
Loans from a shareholder	<b>219,361</b>	203,178
Total non-current liabilities	<b>219,361</b>	203,178
<b>NET ASSETS</b>	<b>93,953</b>	220,125
<b>EQUITY</b>		
Share capital	<b>112,876</b>	112,876
Reserves (note)	<b>(18,923)</b>	107,249
Total equity	<b>93,953</b>	220,125

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

## 39. 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	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2021	434,385	112,369	3,559	(18,174)	532,139
Total comprehensive loss for the year	–	–	–	(436,753)	(436,753)
Share-based payments	–	–	11,863	–	11,863
Cancellation of share options	–	–	(676)	676	–
At 31 March 2022 and 1 April 2022	434,385	112,369	14,746	(454,251)	107,249
Total comprehensive loss for the year	–	–	–	(139,161)	(139,161)
Share-based payments	–	–	12,989	–	12,989
Cancellation of share option	–	–	(1,202)	1,202	–
<b>At 31 March 2023</b>	<b>434,385</b>	<b>112,369</b>	<b>26,533</b>	<b>(592,210)</b>	<b>(18,923)</b>

## 40. COMPARATIVE FIGURES

The balance of receivables under LNG finance lease arrangement presented in the consolidated statement of financial position for the year ended 31 March 2022 have been reclassified to LNG finance lease receivables as the directors consider that the new presentation is more appropriate to the financial statements.

# Financial Summary

	Period from 1 January 2018 to 31 March 2019		Year ended 31 March		<b>2023</b> <b>HK\$'000</b>
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000	
<b>RESULTS</b>					
Revenue	2,670,934	1,857,438	775,235	432,547	<b>211,850</b>
Loss before tax	(247,748)	(304,540)	(113,743)	(199,499)	<b>(182,844)</b>
Taxation	(6,885)	(2,218)	4,306	(69)	<b>1,857</b>
Loss for the year/period	(254,633)	(306,758)	(109,437)	(199,568)	<b>(180,987)</b>
Attributable to:					
Owners of the parent	(254,328)	(252,203)	(82,264)	(198,790)	<b>(167,194)</b>
Non-controlling interests	(305)	(54,555)	(27,173)	(778)	<b>(13,793)</b>
Loss for the year/period	(254,633)	(306,758)	(109,437)	(199,568)	<b>(180,987)</b>
			31 March		
	2018	2020	2021	2022	<b>2023</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	<b>HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>					
Total assets	2,084,021	1,686,393	1,602,584	1,586,724	<b>1,337,983</b>
Total liabilities	(1,183,592)	(1,173,724)	(1,146,876)	(1,266,110)	<b>(1,243,890)</b>
Total equity	900,429	512,669	455,708	320,614	<b>94,093</b>