



中国港能
CHINA HK POWER

CHINA HK POWER SMART ENERGY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

Empowering
INNOVATION
SHARING *Growth*

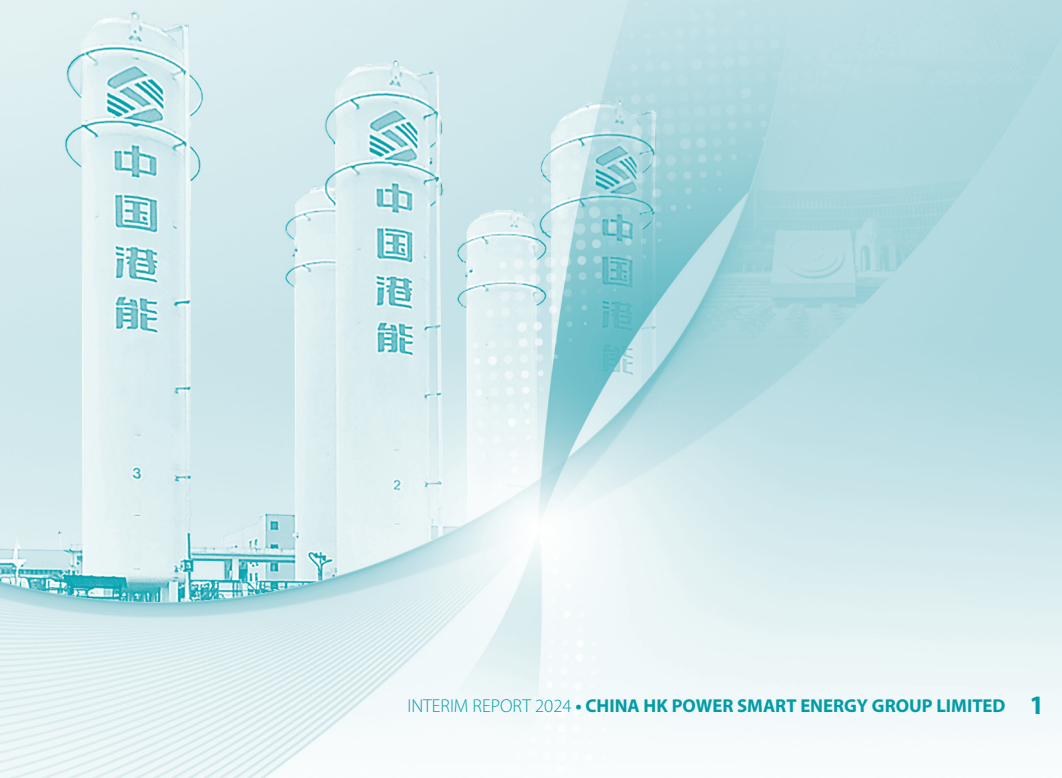


2024
INTERIM REPORT



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Dr. Kan Che Kin, Billy Albert (*Chairman*)
Mr. Deng Yaobo (*Chief executive officer*)
Mr. Li Kai Yien, Arthur Albert

NON-EXECUTIVE DIRECTORS

Mr. Simon Murray

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Fung Chun Yin

AUTHORISED REPRESENTATIVES

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

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 158, 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

STOCK CODE

Hong Kong Stock Exchange: 931

WEBSITE

<http://chinahkpower.todayir.com>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2024

		For the six months ended 30 September	
	Notes	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
REVENUE	5	252,777	128,622
Cost of sales		(211,988)	(129,914)
Gross profit/(loss)		40,789	(1,292)
Other income and other gains and losses, net	6	1,832	(2,047)
Selling and distribution expenses		(12,536)	(4,377)
Administrative expenses		(67,138)	(37,500)
Reversal of impairment of account receivables		1,459	2,428
Finance costs	7	(14,334)	(15,701)
Provision of penalty charge on legal proceedings	8	(7,431)	–
Share of results of joint ventures		1,791	26
LOSS BEFORE TAX	9	(55,568)	(58,463)
Income tax (expense)/credit	10	(1,450)	11
LOSS FOR THE PERIOD		(57,018)	(58,452)
Loss for the period attributable to:			
Owners of the Company		(52,895)	(47,216)
Non-controlling interests		(4,123)	(11,236)
		(57,018)	(58,452)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
–Basic		HK\$(0.81) cents	HK\$(0.82) cents
–Diluted		HK\$(0.81) cents	HK\$(0.82) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2024

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Note		
LOSS FOR THE PERIOD	(57,018)	(58,452)
OTHER COMPREHENSIVE INCOME AFTER TAX		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations of:		
– subsidiaries	(687)	13,700
– joint ventures	(61)	1,435
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	(748)	15,135
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(57,766)	(43,317)
Total comprehensive income attributable to:		
Owners of the Company	(54,237)	(32,081)
Non-controlling interests	(3,529)	(11,236)
	(57,766)	(43,317)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	13	430,238	432,294
Other intangible assets		4,095	4,625
Right-of-use assets	14	99,868	108,039
Goodwill		82,308	82,308
Interests in joint ventures		78,114	76,383
Deposits for acquisition of plant and equipment		145,948	137,913
Deposits for acquisition of land use rights		31,854	31,892
Other assets		287,819	288,164
Statutory deposits		93	100
Total non-current assets		1,160,337	1,161,718
CURRENT ASSETS			
Inventories		46,878	43,927
Finance lease receivables	15	8,843	8,855
Loan and reimbursement receivables	16	112,787	112,787
Accounts and other receivables, prepayments and deposits	17	245,731	189,388
Financial assets at fair value through profit or loss		1	475
Cash and cash equivalents		76,317	43,629
Total current assets		490,557	399,061

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

	Notes	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
CURRENT LIABILITIES			
Accounts payable	18	160,482	135,313
Other payables and accruals	19	533,848	566,139
Interest-bearing bank borrowings	20	159,207	120,582
Lease liabilities	21	2,104	4,847
Tax payable		5,900	6,861
Total current liabilities		861,541	833,742
NET CURRENT LIABILITIES		(370,984)	(434,681)
TOTAL ASSETS LESS CURRENT LIABILITIES		789,353	727,037
NON-CURRENT LIABILITIES			
Loans from a shareholder	19	428,777	631,307
Interest-bearing bank borrowings	20	30,936	22,104
Lease liabilities	21	4,073	8,367
Deferred tax liabilities		5,648	5,735
Total non-current liabilities		469,434	667,513
NET ASSETS		319,919	59,524
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Issued capital	22	133,481	119,527
Reserves		159,597	(82,360)
Non-controlling interests		293,078	37,167
		26,841	22,357
TOTAL EQUITY		319,919	59,524

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	Attributable to owners of the Company							Non-controlling interests	Total equity	
	Issued capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000	Treasury Shares HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	HK\$'000	HK\$'000
At 1 April 2023 (audited)	112,876	434,385	26,533	(11,408)	(7,350)	(66,003)	(424,281)	64,752	29,341	94,093
Loss for the period	-	-	-	-	-	-	(47,216)	(47,216)	(11,236)	(58,452)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	-	-	13,700	-	13,700	-	13,700
Share of other comprehensive income of joint ventures	-	-	-	-	-	1,435	-	1,435	-	1,435
Disposal shares on default of receivables from a margin client	-	-	-	-	1,778	-	-	1,778	-	1,788
Total comprehensive income for the period	-	-	-	-	1,778	15,135	(47,216)	(30,303)	(11,236)	(41,539)
Issue of new shares	2,000	37,000	-	-	-	-	-	39,000	-	39,000
Share-based payments	-	-	4,237	-	-	-	-	4,237	-	4,237
Cancellation of share options	-	-	(9,354)	-	-	-	9,354	-	-	-
At 30 September 2023 (unaudited)	114,876	471,385	21,416	(11,408)	(5,572)	(50,868)	462,143	77,686	18,105	95,791

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2024

	Attributable to owners of the Company									
	Issued capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Special reserve HK\$'000	Treasury shares HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2024 (audited)	119,527	566,556	25,421	(11,408)	(5,572)	(104,059)	(553,298)	37,167	22,357	59,524
Loss for the period	-	-	-	-	-	-	(52,895)	(52,895)	(4,123)	(57,018)
Other comprehensive income for the period:										
Exchange differences on translation of:										
Foreign operations of subsidiaries	-	-	-	-	-	(1,281)	-	(1,281)	594	(687)
Foreign operation of joint ventures	-	-	-	-	-	(61)	-	(61)	-	(61)
Total comprehensive income for the period	-	-	-	-	-	(1,342)	(52,895)	(54,237)	(3,529)	(57,766)
Share-based expenses	-	-	3,620	-	-	-	-	3,620	-	3,620
Allotment of shares	13,954	286,046	-	-	-	-	-	300,000	-	300,000
Cancellation of share options	-	-	(509)	-	-	-	509	-	-	-
Sale of treasury shares (i)	-	956	-	-	5,572	-	-	6,528	-	6,528
Capital contribution by non-controlling interest to a subsidiary	-	-	-	-	-	-	-	-	8,013	8,013
At 30 September 2024 (unaudited)	133,481	853,558	28,532	(11,408)	-	(105,401)	(605,684)	293,078	26,841	319,919

- (i) 15,920,000 treasury shares were sold during the period, the difference between the sale proceeds and the carrying amount of the treasury shares was recognised in share premium.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2024

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash used in operations	(26,307)	(13,916)
Movements in working capital	17,473	(60,288)
Tax paid	(2,370)	(204)
Net cash used in operating activities	(11,204)	(74,408)
Cash flows from investing activities		
Payment for the purchase of property, plant and equipment	(21,263)	(3,403)
Proceeds from sales of property, plant and equipment	3,580	3,158
Return of cash balances held on behalf of clients	–	(608)
Deposits paid for acquisition of property, plant and equipment	(8,155)	–
Disposal of financial assets at fair value through profit or loss	479	1,594
Capital contribution to a subsidiary by non-controlling interest	8,013	–
Interest received	24	13
Net cash (used in)/generated from investing activities	(17,322)	754
Cash flows from financing activities		
Capital element of lease liabilities payment	(1,138)	(4,062)
Interest element of lease liabilities payment	(93)	(179)
Interest paid on bank borrowings and other borrowings	(3,397)	(2,984)
Repayment of bank borrowing	(7,337)	(1,835)
New bank loans	55,000	–
Loan from a shareholder	18,878	36,010
Repayment to a shareholder	(6,660)	–
Net proceeds from issue of new shares	–	39,000
Proceeds from disposal of treasury shares	6,528	–
Net cash generated from financing activities	61,781	65,950
Net increase/(decrease) in cash and cash equivalents	33,255	(7,704)
Effect of foreign exchange rate changes, net	(567)	29,661
Cash and cash equivalents at beginning of the period	43,629	31,769
Cash and cash equivalents at end of the period	76,317	53,726

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China HK Power Smart Energy Group Limited (the "**Company**") was 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 address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, its principal place of business 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, the subsidiaries of the Company (together, the "**Group**") are principally engaged in (i) the sales and distribution of natural gas ("**NG**") in the People's Republic of China ("**PRC**"), including wholesale of liquefied natural gas ("**LNG**") and pipeline natural gas ("**PNG**") 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; (ii) the development and production of new energy technology products and integrated solutions in PRC; (iii) 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; (iv) 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 (v) money lending business through a valid money lenders licence under the Money Lenders Ordinance in Hong Kong.

The unaudited interim condensed consolidated financial information of the Company for the six months ended 30 September 2024 has not been audited but has been reviewed by the audit committee of the Company. The unaudited interim condensed consolidated financial information was approved for issue by the board of directors of the Company on 29 November 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Company for the six months ended 30 September 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and applicable disclosure requirements of Appendix D2 to the Rules (the “**Listing Rules**”) governing the Listing of Securities on the Stock Exchange.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended 31 March 2024. The unaudited interim condensed consolidated financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except unless otherwise stated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and methods of computation used in the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2024 are the same as those followed in the preparation of the financial statements for the year ended 31 March 2024, except for those described below.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Application of amendments to the Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following amendments to the HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2024.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current interim period did not have any material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

Application of amendments to the Hong Kong Financial Reporting Standards (“HKFRSs”) *(continued)*

The following amendments to HKASs and HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 21	Lack of exchangeability ¹
Amendments to HKFRS 18	Presentation and Disclosure of Financial Statement ²
Amendments to HKFRS 19	Subsidiaries without Public Accountability – Disclosures ²

¹ Effective for annual periods beginning on or after 1 January 2025.

² Effective for annual periods beginning on or after 1 January 2027.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of these amendments to HKFRSs will have no material impact on the Group’s financial performance and positions and/or the disclosures to these condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION

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

- (1) Sales and distribution of NG including wholesale of LNG and PNG, point-to-point supply of LNG, automobile gas station, LNG pipeline network connection and provision of LNG logistic services in the PRC ("**NG business**");
- (2) The development and production of new energy technology products and integrated solutions ("**New energy business**"); and
- (3) Financial services and others segment – including finance lease services in the PRC, money lending and assets management services in Hong Kong ("**Financial Services**").

Management monitors the results of the Company's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Company's profit/(loss) before tax except that bank interest income, fair value change on financial assets at fair value through profit or loss, non-lease-related finance costs as well as head office and corporate income and expenses are excluded from such measurement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 September 2024 and 2023 (unaudited)

	New energy business		NG business		Financial services		Total	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Segment revenue								
Revenue from external customers	32,337	—	219,418	127,973	1,022	649	252,777	128,622
Segment results	(2,012)	—	(30,018)	(29,182)	(6,855)	(4,990)	(38,885)	(34,172)
Reconciliation								
Other income and other gains and losses							1,832	(2,047)
Finance costs (other than interest on lease liabilities)							(14,168)	(15,522)
Share of results of joint ventures							1,791	26
Corporate and other unallocated expenses							(6,138)	(6,748)
Loss before tax							(55,568)	(58,463)

5. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Sales and distribution of NG	194,554	102,331
Provision of LNG logistics services	24,864	25,642
Sales and distribution of new energy products	22,939	—
Development of new energy integrated solution	9,398	—
Interest income from loan financing	1,022	649
	252,777	128,622

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

An analysis of other income and other gains and losses is as follows:

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Bank interest income	24	13
Gain/(loss) on disposal of plant and equipment	347	(490)
Gain on deregistration of a subsidiary	–	40
Gain/(loss) on disposal of financial assets at fair value through profit or loss	4	(159)
Fair value change on financial assets at fair value through profit or loss	–	(229)
Exchange gain	802	66
Others	655	(1,288)
	1,832	(2,047)

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Interest on loans from a shareholder	10,456	12,232
Interest on bank loans and other borrowings	3,397	3,290
Interest on loans from third parties	315	–
Interest on lease liabilities	166	179
	14,334	15,701

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. PROVISION OF PENALTY CHARGE ON LEGAL PROCEEDINGS

The Company received a “Civil Ruling” dated 21 October 2024 issued by the Tianjin High People’s Court of PRC regarding the outcome of the re-trial application submitted by the Group on 20 May 2024. Pursuant to the Civil Ruling, the court’s ruling on April 25, 2024 had been upheld, Great Trend Investment Management (Shanghai) Company Limited*, an indirectly wholly-owned subsidiary of the Company, was liable to pay the creditor the outstanding balance of unpaid rental along with penalty charge and overdue interest which had been fully recognized for the year ended 31 March 2024, and prior years. Both the Company and its wholly-owned subsidiary, China LNG Limited, act as guarantors for the outstanding balance.

Additionally, the Group will continue to incur overdue interest from 1 April 2024, until the outstanding balance are settled and the remaining 91 LNG tank containers are returned. As at 30 September 2024, the overdue interest amounts to approximately HK\$7.4 million was fully provided.

* English company name translated for identification purpose only.

9. LOSS BEFORE TAX

The Company’s loss before tax is arrived at after charging:

	For the six months ended 30 September	
	2024 (Unaudited) HK\$’000	2023 (Unaudited) HK\$’000
Cost of inventories sold	176,184	129,914
Depreciation of right-of-use assets	2,585	4,062
Depreciation of property, plant and equipment	19,547	17,218
Amortisation of other intangible assets	531	811
Staff costs, including directors’ emoluments	36,278	22,564

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. INCOME TAX

The Company calculates the income tax expense for each interim period based on the best estimate of the applicable weighted average annual income rate expected for the full financial year. The major components of income tax expense/(credit) in the condensed consolidated statement of profit or loss are:

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Current tax–PRC		
– The PRC Enterprise Income Tax	1,460	–
Over-provision in prior years		
– The PRC Enterprise Income Tax	–	(11)
Deferred taxation	(10)	–
	<hr/>	<hr/>
Total tax expense/(credit) for the period	1,450	(11)
	<hr/>	<hr/>

11. DIVIDEND

The board of directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2024 (six months ended 30 September 2023: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. 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 period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 6,552,031,936 (six months ended 30 September 2023: 5,743,797,090) in issue during the period.

The diluted loss per share for the six months ended 30 September 2024 and 2023 is equal to the basic loss per share as there was no dilutive potential ordinary shares. The computation of diluted loss per share for the six months ended 30 September 2024 do not assume the exercise of outstanding share options of the Company since the assumed exercise would result in a decrease in loss per share.

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

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	<u>(52,895)</u>	<u>(47,216)</u>
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	<u>6,552,031,936</u>	<u>5,743,797,090</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. PROPERTY, PLANT AND EQUIPMENT

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
At the beginning of the period/year	432,294	447,921
Additions	21,263	51,935
Acquisition of subsidiaries	–	3,157
Deregistration of subsidiaries	–	(11,133)
Transfer to land use right and prepayments	–	12,370
Disposals	(3,233)	(18,813)
Depreciation	(19,547)	(37,731)
Exchange realignment	(539)	(15,412)
At end of the period/year	<u>430,238</u>	<u>432,294</u>

As at 30 September 2024, property, plant and equipment with the carrying amounts of approximately HK\$16,536,000 (31 March 2024: HK\$16,102,000) were pledged to banks to secure banking facilities granted to the Group.

14. RIGHT-OF-USE ASSETS

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Land use rights	92,904	94,252
Properties	6,964	13,787
	<u>99,868</u>	<u>108,039</u>

As at 30 September 2024, land use rights with the carrying amount of approximately HK\$68,766,000 (31 March 2024: HK\$69,829,000) were pledged to banks to secure banking facilities granted to the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. FINANCE LEASE RECEIVABLES

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Gross receivables	36,102	36,145
Less: Allowance for credit losses	(27,259)	(27,290)
	<u>8,843</u>	<u>8,855</u>

The finance lease contracts relates to (i) the lessees obtain the right of use the assets after entering into the contracts. The Group purchased equipment from third party manufacturers or distributors of its choice or of the lessees' choice and leased the assets to the lessees, 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; and (ii) the lessees sold their equipment to the Group and leased back the assets, 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 obtain the right of use the assets after entering into the arrangements. These finance lease arrangements do not constitute leases for accounting purposes.

The finance lease receivables are secured by the leased assets, certain finance lease receivables have been guaranteed by the ultimate beneficial owner of the lessee.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. LOAN AND REIMBURSEMENT RECEIVABLES

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Loan receivables	136,013	135,068
Less: Allowance for credit losses	(136,013)	(135,068)
	<hr/>	<hr/>
	–	–
Reimbursement receivables	112,787	112,787
	<hr/>	<hr/>
	112,787	112,787
	<hr/> <hr/>	<hr/> <hr/>

Loan receivables relate to 2 (31 March 2024: 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 4.6% (31 March 2024: 1% to 4.6%) per annum. The loan receivables are secured.

The Group holds collateral or other credit enhancement over its loan and reimbursement receivables balance of HK\$136,013,000 (31 March 2024: HK\$135,068,000).

Included in the loan receivables are loans of HK\$112,787,000 (31 March 2024: HK\$112,787,000) 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, should the loans are not recovered in full by the Group and accordingly the Group recognises reimbursement receivable of HK\$112,787,000 (31 March 2024: HK\$112,787,000) 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% (31 March 2024: 100%) and loss given default rate of 0% (31 March 2024: 0%) are applied in the calculation of impairment on the reimbursement receivables.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

		30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Accounts receivables on dealing in securities	(a)		
Cash clients		317	317
Less: Allowance for credit losses		(317)	(317)
Margin clients		2,817	3,355
Less: Allowance for credit losses		(2,817)	(3,355)
		—	—
Accounts receivables on NG business	(b)	88,676	55,111
Less: Allowance for credit losses		(24,321)	(24,321)
		64,355	30,790
Accounts receivables on new energy business	(b)	53,251	59,132
Less: Allowance for credit losses		(9,023)	(9,944)
		44,228	49,188
Deposits and other receivables		59,283	48,843
Less: Allowance for credit losses		(9,523)	(9,056)
		49,760	39,787
Loan to a third party	(c)	1,938	1,940
Prepayments		72,287	54,504
Value-added tax recoverable		13,163	13,179
		245,731	189,388

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

Notes:

- (a) The settlement terms of the accounts receivables from cash clients arising from the business of dealing in securities are two days after trade date.
- (b) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance may be required. The credit period is generally one month, extending up to three months or more for certain customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable on NG business and new energy business as at the end of the reporting period, based on the invoice date and net of allowance for credit losses, is as follows:

NG business

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Within 3 months	35,986	22,450
4 to 6 months	17,980	4,135
Over 6 months	10,389	4,205
	64,355	30,790

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

(continued)

Notes: (continued)

(b) (continued)

New Energy business

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Within 3 months	14,806	33,541
4 to 6 months	21,693	14,378
Over 6 months	7,729	1,269
	<u>44,228</u>	<u>49,188</u>

- (c) The loans were unsecured, interest-bearing at 8% (31 March 2024: 8%) per annum and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. ACCOUNTS PAYABLES

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Accounts payable arising from NG business and New Energy business	160,482	135,313

An ageing analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Within 3 months	56,813	19,010
4 to 6 months	5,266	26,012
Over 6 months	98,403	90,291
	160,482	135,313

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. OTHER PAYABLES AND ACCRUALS

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Accruals and other payables	173,585	172,825
Contract liabilities	40,444	17,801
Loans from a shareholder	428,777	631,307
Interest payable on loans from a shareholder	11,752	87,349
Loans from third party	20,248	–
Payable for the right to acquire property, plant and equipment	287,819	288,164
	962,625	1,197,446
Non-current portion of loans from a shareholder	(428,777)	(631,307)
Current portion	533,848	566,139

The loans from a shareholder bearing an interest of 5% to 8% per annum (31 March 2024: 5% to 8%), unsecured and repayable on demand, the shareholder Dr. Kan agreed not to demand repayment of the loans until 30 June 2025.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. INTEREST BEARING BANK BORROWINGS

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Within one year	159,207	120,582
In the second to fifth year inclusive	25,317	14,648
After five years	5,619	7,456
	190,143	142,686
Less: Amount due for settlement within 12 months (shown under current liabilities)	(159,207)	(120,582)
Amount due for settlement after 12 months	30,936	22,104

21. LEASE LIABILITIES

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

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Within one year	2,316	3,864	2,104	4,847
More than one year	4,549	10,665	4,073	8,367
Total minimum finance lease payments	6,865	14,529	6,177	13,214
Future finance charges	(688)	(1,315)		
Present value of lease obligations	6,177	13,214		

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. ISSUED CAPITAL

Ordinary shares of HK\$0.02 each

	Number of shares	Amount HK\$'000
Authorised:		
At 31 March 2024 and 30 September 2024	<u>2,000,000,000</u>	<u>40,000</u>
Issued and fully paid:		
At 31 March 2024	5,976,355,230	119,527
Issue of capitalisation shares under specific mandate (Note i)	<u>697,674,419</u>	<u>13,954</u>
At 30 September 2024	<u>6,674,029,649</u>	<u>133,481</u>

Note:

- (i) On 7 March 2024, the Company and Dr. Kan entered into a Loan Capitalisation Agreement, pursuant to which the parties conditionally agreed that Dr. Kan shall subscribe for, and the Company shall allot and issue, a total of 697,674,419 Capitalisation Shares at the Capitalisation Price of HK\$0.43 per Capitalisation Share. The aggregate Capitalisation Price of all Capitalisation Shares payable by Dr. Kan shall be satisfied by capitalising and setting off against the Repayment Amount of HK\$300,000,000 upon completion of the transaction. Completion of the transaction took place on 3 May 2024.

The difference between capitalisation price and ordinary share price was recognised in share premium with total amount HK\$286,046,000.

23. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. SHARE OPTION SCHEME *(continued)*

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. SHARE OPTION SCHEME *(continued)*

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. SHARE OPTION SCHEME (continued)

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

The maximum number of shares of the Company which may be issued upon exercise of all options that may be granted under the existing Scheme limit is 564,379,709 shares (representing approximately 10% of the issued share capital of the Company as at the date of approval of the Scheme). There is no performance target which must be achieved before any of the options can be exercised.

A summary of the movements in share options under the Share Option Scheme during the six months period ended 30 September 2024 is as follows:

	Weighted Average exercise price HK\$ per share	Number of options 30 September 2024 (Unaudited)	Weighted Average exercise price HK\$ per share	Number of options 31 March 2024 (Audited)
At beginning of period/year	0.501	180,040,000	0.505	154,890,000
Granted during the period/year	–	–	0.500	70,000,000
Lapsed during the period/year	0.500	(8,200,000)	0.514	(44,850,000)
Outstanding at the end of period/year	0.501	171,840,000	0.501	180,040,000

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods within which the option may be exercised by the grantee under the Scheme as at 30 September 2024 and 31 March 2024 are as follows:

Vesting and exercise period	Exercise price HK\$	Number of options	
		30 September 2024 (Unaudited)	31 March 2024 (Audited)
31 December 2021 to 31 December 2029	0.53	1,692,000	1,692,000
31 December 2022 to 31 December 2029	0.53	1,692,000	1,692,000
31 December 2023 to 31 December 2029	0.53	2,256,000	2,256,000
31 March 2023 to 31 March 2031	0.50	180,000	240,000
31 March 2024 to 31 March 2031	0.50	180,000	240,000
31 March 2025 to 31 March 2031	0.50	240,000	320,000
16 July 2023 to 16 July 2031	0.50	30,000,000	30,000,000
16 July 2024 to 16 July 2031	0.50	30,000,000	30,000,000
16 July 2025 to 16 July 2031	0.50	40,000,000	40,000,000
30 September 2023 to 30 September 2031	0.50	360,000	360,000
30 September 2024 to 30 September 2031	0.50	360,000	360,000
30 September 2025 to 30 September 2031	0.50	480,000	480,000
24 January 2024 to 24 January 2032	0.50	–	300,000
24 January 2025 to 24 January 2032	0.50	–	300,000
24 January 2026 to 24 January 2032	0.50	–	400,000
26 April 2024 to 26 April 2032	0.50	–	900,000
26 April 2025 to 26 April 2032	0.50	–	900,000
26 April 2026 to 26 April 2032	0.50	–	1,200,000
21 August 2025 to 21 August 2033	0.50	19,320,000	20,520,000
21 August 2026 to 21 August 2033	0.50	19,320,000	20,520,000
21 August 2027 to 21 August 2033	0.50	25,760,000	27,360,000
		171,840,000	180,040,000

The fair value of the share options granted during the period ended 30 September 2023 was HK\$9,821,000. The Group recognised an equity-settled share option expense of HK\$3,620,000 (30 September 2023: HK\$4,237,000) during the period ended 30 September 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. RELATED PARTY TRANSACTIONS

Saved as disclosed in the financial statements, the Group had the following material transactions with related parties during the current and prior periods.

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Interest expense on loans from a shareholder	<u>10,456</u>	<u>12,232</u>

The interest expenses on loans from a shareholder is due to the substantial shareholder of the Company, Dr. Kan who 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.

- (a) The Company entered into loan facility agreements with Dr. Kan in relation to the provision of standby facilities of HK\$800,000,000 (31 March 2024: HK\$800,000,000) to the Company by Dr. Kan. At 30 September 2024, this facility had been utilised to the extent of HK\$440,530,000 (31 March 2023: HK\$588,981,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation of key management personnel of the Group

Details of the compensation of the key management personnel of the Group are as follows:

	For the six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Salaries, allowances and other benefits	2,005	1,153
Equity-settled share option expenses	2,036	4,094
	4,041	5,247

25. COMMITMENTS

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

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Contracted but not provided for property, plant and equipment	141,078	143,599

26. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information was approved and authorised for issue by the board of directors of the Company on 29 November 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the period ended on 30 September 2024, the global economic growth momentum remains weak, facing multiple challenges. The World Bank forecasts a global economic growth rate of 2.6% for 2024. In the first half of 2024, China's national economy continued its recovery trend, with GDP growing by 5.0% year-over-year, and market demand gradually warming. Domestic NG consumption returned to a rapid growth trend, setting a new high, with a 8.7% increase year-over-year to 210.8 billion cubic meters. Leveraging the moderate recovery of the Chinese economy, China is striving to build a new pattern of synergistic development of diversified energy sources, with NG playing an important role. Committed to becoming a significant promoter of global green and low-carbon development, the NG industry is set to further develop under environmental protection and low-carbon trends. In early June 2024, the National Development and Reform Commission issued the "NG Utilization Management Measures" (Order No. 21 of 2024 by the National Development and Reform Commission), which will take effect on 1 August 2024. This regulation, revised after 12 years, shifts the guidance of the NG industry development from policy-driven to market-driven, providing a foundation for the healthy development of the industry, and releases greater development space in fields such as NG power generation, LNG vehicles and ships, and the synergistic development of NG with new energy sources. In late July 2024, the National Energy Administration published the "China NG Development Report (2024)", expecting a steady increase in domestic NG production in the second half of 2024, with an annual total consumption expected to reach 419.6 billion cubic meters, an increase of 6.36% year-over-year.

On 30 July 2024, the Central Committee of the Communist Party of China and the State Council issued the "Opinions on Accelerating the Comprehensive Green Transformation of Economic and Social Development", marking the first systematic deployment at the national level for comprehensive green transformation, covering regional development, industrial structure, energy, transportation, urban and rural construction, consumption patterns, and technological innovation, among other sectors. The overall goal is to achieve significant success in the comprehensive green transformation of economic and social development by 2030, and to enter a green and low-carbon trajectory comprehensively by 2035, with carbon emissions peaking and then stabilizing and declining, effectively realizing the goal of a beautiful China. Specific quantitative targets are set for energy and the circular economy, such as achieving a scale of approximately 15 trillion yuan for the energy conservation and environmental protection industry by 2030.

MANAGEMENT DISCUSSION AND ANALYSIS

On 30 October 2024, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Housing and Urban-Rural Development, the National Energy Administration, and other departments jointly issued the “Guidelines for Vigorously Implementing the Renewable Energy Substitution Action” (NDRC Energy [2024] No. 1537), requiring that by the “14th Five-Year Plan”, a basic pattern of production and living utilizing renewable energy in various sectors should be formed, supporting the goal of reaching the peak carbon emissions by 2030. In the industrial sector, it is proposed to synergistically advance the green and low-carbon transformation of industrial energy use, coordinate new infrastructure development and renewable energy development and utilization, and promote the integration of data centers, supercomputing centers, etc., with heat pumps, energy storage, photovoltaics, and others, supporting the development of new infrastructure projects that directly supply green electricity and integrate generation, network, load, and storage.

In terms of energy conservation, emission reduction, and green, low-carbon initiatives, the Chinese government continues to introduce new policies and increase their implementation to further consolidate its position in the global energy market and strengthen its key role in the green energy revolution. NG, in synergy with various new energy sources and new technologies for energy conservation and emission reduction, will continue to play an active role in achieving dual carbon goals.

Looking forward, the Group’s strategic transformation efforts to expand its new energy and NG businesses align with the major trends of China’s socio-economic development. The new round of technology and industry transformation has driven further innovation and application of energy technologies. Advances in energy conversion, energy storage technologies, and energy conservation and emission reduction technologies have gradually reduced costs and improved efficiency, making clean energy more prominent in leading the trend towards diversified and intelligent energy development. The Group’s AI-based innovative solutions for heating and cooling, and other new energy applications, are set to win more development opportunities and benefits for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six-month period ended 30 September, 2024 (the **“Reporting Period”**), under the new circumstances of the Chinese government’s commitment to developing a green, low-carbon, and diversified energy system, the clean energy sector has shown a rapid recovery trend. Demand for green and low-carbon consumption has increased across various regions, presenting the industry with both greater opportunities and challenges.

In this environment, our company is focused on the operational goals set at the beginning of the year. While continuing to develop the natural gas market, we are also increasing resource investments in areas such as smart heating in the new energy sector, comprehensive energy efficiency management, manufacturing of energy-saving and emission-reduction equipment, and integrated energy service management in industrial parks. We are actively exploring projects in Dongguan and Zhanjiang in Guangdong, Xi’an in Shaanxi, Renhuai in Guizhou, and Xiangyang in Hubei, innovating business models, improving operational management, and continuously enhancing our management capabilities to further strengthen our overall competitiveness.

During the Reporting Period, our company primarily operates through three business segments: sales and distribution of NG, new energy business, and financial services. The operations of each business division are as follows:

SALES AND DISTRIBUTION OF NG

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.

In the Reporting Period, the Company recorded a LNG retail volume of 11,426 tons (2023: 9,723 tons), the income generated from point-to-point supply of LNG (retail) business amounted approximately HK\$77,447,000 (2023: HK\$53,369,000), contribute 30.6% to the total revenue of the Company for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Wholesale of LNG and PNG (trade)

In the Reporting Period, in addition to continuing our traditional LNG trading business, the Company achieved significant breakthroughs by leveraging resource advantages, initiating PNG trading activities, which led to a substantial increase in NG trading volume. As of 30 September 2024, the Company recorded an NG trade volume of 28,632 tons (2023: 11,748 tons), with wholesale LNG and PNG (trade) revenue of approximately HK\$117,107,000 (2023: HK\$48,962,000), contributing 46.3% to our total revenue for the Reporting Period. Within the Reporting Period's LNG and PNG trading business, LNG trading recorded a sales volume of 2,820 tons (2023: 11,748 tons), accounting for 9.8% of the total NG trading volume. LNG trading revenue was approximately HK\$16,455,000 (2023: HK\$48,962,000), representing 14.1% of the total NG trading revenue. PNG trading recorded a sales volume of 25,812 tons, accounting for 90.2% of the total NG trading volume. PNG trading revenue was approximately HK\$100,652,000, representing 85.9% of the total NG trading revenue.

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. The distribution delivery fleets enable the Company to distribute LNG from upstream suppliers to external customers and energy centers in a safe and fast way at low costs.

As of 30 September 2024, the delivery fleets transmitted a total of 25,304,136 ton-kilometers (2023: 40,057,708 ton-kilometers) among which 69.7% were delivered for external customers, the income generated from distribution of LNG (logistics) business amounted approximately HK\$24,864,000 (2023: HK\$25,642,000), contribute 9.8% to the total revenue of the Company for the Reporting Period.

LNG Pipeline Network

The Company undertakes LNG pipeline engineering projects, constructing pressure pipelines, gate stations, and pressure regulating stations to connect the retail and end-user markets. Through comprehensive gas transmission facilities, we aim to expand our downstream user base.

MANAGEMENT DISCUSSION AND ANALYSIS

In the Reporting Period, 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. The Company has received 10,917 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 6,579 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 Reporting Period.

Infrastructure Projects

In the Reporting Period, the Company adhered to the philosophy of focusing primarily on centralized energy development, supplemented by distributed management. The Company strategically invested in key locations such as Hubei Huanggang, Hubei Guangshui, Anhui Lu'an, and Jiangxi Jingdezhen, actively promoting resources around large-scale LNG bases integrated with energy storage and energy management.

As at 30 September 2024, the Company owned two automotive gas refueling stations, which operate in collaboration with a wholly-owned subsidiary of China National Offshore Oil Corporation ("**CNOOC**"). By leveraging the unique advantages of CNOOC's procurement platform, the Company's automotive gas refueling stations effectively reduced LNG procurement costs, thereby promoting sales growth through more competitive pricing. CNOOC, as the sole LNG supplier responsible for the daily operations of the refueling stations, shares the operational performance based on the agreed terms and conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

NEW ENERGY BUSINESS

In the Reporting Period, the Company continued to actively engage in the field of smart heating, comprehensive energy efficiency management, and energy-saving and emission-reduction equipment manufacturing. The Company utilized cutting-edge technologies such as cloud data, the Internet of Things, and AI intelligence. By using unique big data AI algorithm models, efficient energy Building Information Modeling (“**BIM**”) architecture, and the Intelligent Distributed Heating (“**IDH**”) platform, the Company created an intelligent energy management system. Leveraging these core digital intelligence platforms, the Company provided comprehensive energy management solutions equipped with AI intelligence technology in fields like smart heating management and comprehensive energy efficiency management. These solutions significantly reduced energy consumption and operational costs for customers’ energy projects, creating a win-win situation for both the government and users.

In the Reporting Period, the Company’s new energy business recorded revenue of approximately HK\$32,337,000, accounting for 12.8% of the Company’s total revenue for the period.

Development of New Energy Integrated Solution

As of 30 September 2024, the development and application of comprehensive new energy solutions recorded revenue of approximately HK\$9,398,000. In the field of comprehensive new energy solutions, the smart heating business expanded its service area by approximately 180,000 square meters, recording revenue of approximately HK\$7,521,000. The comprehensive energy efficiency management business recorded revenue of approximately HK\$1,877,000.

Sales and Distribution of New Energy Products

As at 30 September 2024, the sales and distribution of new energy products recorded revenue of approximately HK\$22,939,000.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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. Given the unpromising economic outlook, the Company's management has adopted a cautious attitude towards increasing investment in the financial services business.

PROSPECTS AND OUTLOOK

Global climate change, compounded by international geopolitical instability, presents unprecedented challenges in the global energy sector. Against this backdrop, the Chinese government continues to actively promote the transformation of energy structures and the widespread adoption of clean energy, fostering the ongoing transition of the energy sector towards lower carbon emissions and smarter technologies.

Over the years, our company has continuously developed its NG business, and our well-established reputation and market position have played a significant role in the substantial increase in our NG business volume. Amidst the opportunities presented by the transformation of energy structures and the development of the clean energy sector, our company seeks smart energy solutions that incorporate market-leading technologies, actively builds a smart low-carbon new energy model, and pursues green ecological development. Starting from the second half of the last fiscal year, from northern heating and industrial energy conservation to the date of this report, after more than half a year of exploration and practice in the new energy field, our company has reinforced its goal to become a leading smart comprehensive energy service enterprise in China.

Looking ahead, our company's management will actively develop our business in the smart clean energy sector and continue to explore new business opportunities to create value for our shareholders. While mindful of the market environment, our management will continue to take prudent measures and implement strategies to mitigate the adverse impacts of market challenges on our business.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Company recorded the revenue from operations in an amount of approximately HK\$252.8 million, compared to that of approximately HK\$128.6 million for the six months ended 30 September 2023 (the **"Previous Period"**), representing a significant increase of 96.5%. This growth was primarily driven by the sales and distribution of NG, with revenue increasing by approximately HK\$92.2 million or 90.1%. Additionally, the new energy business which commencing in the second half for the year ended 31 March 2024 (the **"FY2024"**), contributed approximately HK\$32.3 million to the total revenue in the Reporting Period. The Reporting Period saw notable changes in revenue structure. Revenue from NG Business accounted for 86.8% of total revenue in the Reporting Period, decreased by 12.7% from 99.5% in the Previous Period. The new energy business accounted for 12.8% of total revenue. Income from the point-to-point supply of LNG (retail) business was approximately HK\$77.4 million for the Reporting Period, compare to that of approximately HK\$53.4 million for the Previous Period, representing a increase of 44.9%. Income generated from the wholesale of LNG and PNG (trade) business was approximately HK\$117.1 million for the Reporting Period, compared to that of approximately HK\$49.0 million for the Previous Period, representing a increase of 139.0%. The increase in trade income was mainly due to rebound in domestic NG consumption and the expansion of distribution channels. Income generated from the distribution of LNG (logistics) business was approximately HK\$24.9 million for the Reporting Period, compared to that of approximately HK\$25.6 million for the Previous Period, representing a slightly decrease of 2.7%. The decrease in logistics income was mainly due to the market competition and decreased in demand from our customers. Income generated from the sales and distribution of new energy products and the development of new energy integrated solution was approximately HK\$22.9 million and 9.4 million for the Reporting Period respectively. It was new business segment developed in the second half of FY2024, no such income was recognised in the Previous Period. Income from the financial services business was HK\$1,022,000 for the Reporting Period, compare to that of HK\$649,000 for the Previous Period. Financial services income primarily relates to interest income from money lending business.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

The overall gross profit of the Company for the Reporting Period was approximately HK\$40.8 million compared to gross loss of approximately HK\$1.3 million for the Previous Period. The turnaround from gross loss to gross profit for Reporting Period was mainly due to (i) an increase in gross profit from the LNG supply business, driven by favorable LNG procurement prices obtained through the Company's cooperation with CNOOC; (ii) cost-saving measures implemented in the LNG logistics business by restructuring loss-making business units to minimize the impact of direct costs; (iii) a decline in national LNG prices, which reduced the LNG consumption costs in the logistics business; and (iv) significant gross profit contributions from the newly developed new energy business. The gross profit margin was 16.1% in Reporting Period as compared to gross loss margin of 1.0% for the Previous Period, indicating a favorable improvement as a result of the contribution of the new energy business and cost reduction and operation efficiency improvements in the LNG business.

Other Income and Other Gains and Losses, Net

Other income and other gains and losses of the Company mainly comprised gain on disposal of plant and equipment, gain on disposal of financial assets at fair value through profit or loss, exchange gain or loss and interest income from bank. Other income and other gains and losses amounted to the net gains approximately HK\$2 million for the Reporting Period, as compared to the net losses of approximately HK\$2 million for the Previous Period, the turnaround result was mainly due to the gain on disposal of plant and equipment and sundry gains for the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses of the Company mainly comprised staff costs and marketing expenses incurred by sales department. The selling and distribution expenses amounted approximately HK\$12.5 million for the Reporting Period, representing a increase of 186.4% as compared to approximately HK\$4.4 million for the Previous Period.

The increase was mainly due to the increased selling and distribution expenses incurred in the new energy business which commencing in the second half of FY2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

Administrative expenses of the Company mainly comprised employee and office expenses, legal and professional fees, amortisation on intangible assets, depreciation on right-of-use assets and on property, plant and equipment. Administrative expenses amounted approximately HK\$67.1 million for the Reporting Period, representing a increase of 78.9% as compared with approximately HK\$37.5 million for the Previous Period. The increase was primarily attributable to the cost incurred in the new energy business which commencing in the second half of FY2024.

Impairment Assessment, Net

Management of the Company conducted an impairment review on the fixed assets and receivables for the Reporting Period. The review of fixed assets impairment has taken into consideration the revenue and the turnaround result from gross loss in Previous Period to gross profit in Reporting Period. Management of the Company believes that the investment in key fixed assets of the Company is anticipated to yield returns over long term. Accordingly, it was determined that the fixed asset of the Company has no further impairment for the Reporting Period.

At the end of the Reporting Period, a review was conducted on the expected credit loss of the Company's finance lease receivables and trade receivables with reference to the past-due status and aging information of the grouped debtors, a reversal of impairment on the trade receivables of approximately HK\$1.5 million (Previous Period: HK\$2.4 million) was recognized for the Reporting Period due to the settlement made by some debtors in which special provision was made in respect of the settlement balance in FY2024.

Finance Costs

Finance costs of the Company mainly comprised interest on lease liabilities, interest on loans from a shareholder and interest on bank and other borrowings. Finance costs amounted to approximately HK\$14.3 million for the Reporting Period, representing a decrease of 8.9% as compared to approximately HK\$15.7 million for the Previous Period, the decrease was primarily attributed to interest savings on loan from a shareholder resulting from capitalisation of loan from a shareholder amounting HK\$300 million during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

Income tax expense mainly comprised 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 expense amounted to approximately HK\$1,450,000 for the Reporting Period, mainly represents provision of the PRC enterprise income tax in the Reporting Period.

Loss for the Period

As a combined result of the factors discussed above, the Company's loss for the Reporting Period was approximately HK\$57.0 million, representing an improvement of 2.6% as compared to approximately HK\$58.5 million for the Previous Period.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2024 (six months ended 30 September 2023: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2024, the cash and cash equivalents of the Company amounted to approximately HK\$76.3 million (31 March 2024: HK\$43.6 million), which were mainly denominated in Hong Kong Dollar and Renminbi.

As at 30 September 2024, the total interest-bearing bank and other borrowings of the Company amounted to approximately HK\$618.9 million (31 March 2024: HK\$774.0 million) mainly are loans from a shareholder of the Company and bank loans. The interest-bearing bank and other borrowings were primarily used for working capital and infrastructure projects of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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 period 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. The gearing ratio of the Company as at 30 September 2024 was 193.5% (31 March 2024: 1,300.3%), the improvement of the gearing ratio of the Company mainly attributable to the capitalisation of loan from a shareholder amounting to HK\$300 million during the period.

CAPITAL COMMITMENT

As at 30 September 2024, the total capital commitments by the Company amounted to approximately HK\$141.1 million (31 March 2024: HK\$143.6 million), which were mainly contracted commitments in respect of infrastructure projects and purchase of machinery and equipment.

CONTINGENT LIABILITIES

The Company had no significant contingent liabilities as at 30 September 2024 (31 March 2024: Nil).

PLEDGE OF ASSETS

As at 30 September 2024, the Company's land use rights and equipment and machinery with an aggregate carrying amount of approximately HK\$85.3 million (31 March 2024: HK\$86.0 million) were pledged to secure certain loans and banking facilities granted to the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT

Macroeconomic Fluctuation and Industry Cyclical Risks

The Company is engaged in the NG industry, the market demand for NG 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, NG 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 factors that may affect exchange rate fluctuations, including but not limited to changes in the economic environment, policy changes, and geopolitical events and considers taking appropriate hedging measures when necessary.

Shortage In the Supply of NG and Risk of Significant Increase In Prices

The Company's operation process depends on the timely and stable supply of NG, 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 NG prices.

MANAGEMENT DISCUSSION AND ANALYSIS

LEGAL PROCEEDINGS

The Company received a “Civil Ruling” dated 21 October 2024 issued by the Tianjin High People’s Court of PRC regarding the outcome of the re-trial application submitted by the Group on 20 May 2024. Pursuant to the Civil Ruling, the court’s ruling on 25 April 2024 had been upheld, Great Trend Investment Management (Shanghai) Company Limited*, an indirectly wholly-owned subsidiary of the Company, was liable to pay the creditor the outstanding balance of unpaid rental, along with penalty charge and overdue interest with total approximately RMB65 million (this amount had been fully recognized in the financial statements for the year ended 31 March 2024, and prior years). Additionally, the Group will continue to incur overdue interest from 1 April 2024, until the outstanding balance are settled and the remaining 91 LNG tank containers are returned. As at 30 September 2024, the overdue interest amounts to approximately HK\$7.4 million was fully provided.

The aforementioned litigation outcome will not have any significant impact on the Group’s cash flow or future development. The Company will continue to consult with its legal advisors in China, monitoring the impact of these legal actions on the Group. Simultaneously, the Group will continue to actively negotiate with creditors to seek an amicable resolution to the disputes and to amend repayment terms.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2024, the Company had a staff roster of 530 members (31 March 2024: 478). The related staff costs including directors’ emoluments for the Reporting Period amounted to approximately HK\$36.3 million (six months ended 30 September 2023: HK\$22.6 million). The significant increase in the staff costs was mainly due to the Company’s development of the new energy business which commencing business in the second half of FY2024.

The remuneration of employees of the Company was in line with market trend and commensurate to the levels of pay in the industry and to the performance of individual employee that are regularly reviewed. In addition to basic salary, employees are entitled to other benefits including those under social insurance contribution, employee provident fund schemes and share option scheme of the Company. The emoluments of the Directors and senior management is determined by reference to their performance for the year, their respective 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.

MANAGEMENT DISCUSSION AND ANALYSIS

EVENT AFTER THE REPORTING PERIOD

The Company had no material subsequent event after the Reporting Period and up to the date of this interim report.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no significant investments held by the Company, nor were there any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Dongguan Songshan Lake Scipolis Centralized Energy Station Project

References is made to the announcement of the Company dated 11 July 2024 and 6 August 2024, in relation to, the Company received a notice from the government on 11 July 2024 that the Group has successfully won the bid (the “**Tender**”) for a 20-year exclusive franchise for the centralized energy station project in the Songshan Lake Scipolis in Dongguan (the “**Centralized energy station**”).

On 6 August 2024, Oasetech Energy, an indirect wholly owned subsidiary of the Company, entered into the Investment and Operation Agreement with Dongguan Huiheng, pursuant to which (i) Oasetech Energy agreed to invest in the Project with an amount of RMB107 million (equivalent to approximately HK\$117 million); and responsible for the building of the integrated system including cooling system, steam system, photovoltaic power generation, energy storage and charging piles, Oasetech Energy shall be granted a 20 year exclusive operating right for the Project; Oasetech Energy can enter into energy supply contract with the enterprises located in the Songshan Lake Scipolis and receive revenue calculated based on their actual energy consumption; (ii) Dongguan Huiheng agreed to provide the land for the Project and assist Oasetech Energy to obtain the necessary administrative approvals and filings for construction of the project, including but not limited to the property ownership certificate, the land use planning permit, the construction project planning permit, the construction project building permit and the investment filing certificate. Dongguan Huiheng shall be entitled to share a portion of the operating revenue according to the contract terms, accounting for 5%-20% of the revenue generated from various energy supply; and (iii) after the expiration of the 20 year exclusive operating right, the ownership and management rights of the integrated energy system will be unconditionally transferred to Dongguan Huiheng.

MANAGEMENT DISCUSSION AND ANALYSIS

China HK Power Smart Energy's headquarters

References is made to the announcement of the Company dated 7 August 2024, in relation to that the Company has entered into a Strategic Cooperation Framework Agreement (the **"Framework Agreement A"**) with the Management Committee of Yixing Economic and Technological Development Zone (the **"Committee"**) under the Yixing Municipal Government to jointly establish a limited liability company (the **"Joint Venture Company"**).

The Joint Venture Company will set up China HK Power Smart Energy's headquarters production base and R&D center (the **"Project A"**) in the Yixing Economic and Technological Development Zone, focusing on the development of green and low-carbon energy transformation and smart energy system construction, with the goal of becoming a leading and globally influential smart low-carbon energy industry base and R&D center in China. The Project A itself will also be constructed as a zero-carbon demonstration project.

Key details of the Framework Agreement are as follows:

The Committee will provide the land approximately 60 mu in size within the Yixing Economic and Technological Development Zone for the Project A site and auction the land at the market price. The Joint Venture Company will proceed to bid the land if the Group consider the land location and price of the land are suitable. The other terms of the Framework Agreement A will only come to effect once the above process is completed.

The registered capital of the Joint Venture Company is RMB120 million. The Group will contribute RMB90 million, and a state-owned enterprise (the **"SOE"**) designated by the Committee will contribute RMB30 million, with a shareholding ratio of 75% for the Group and 25% for the SOE. Both parties will complete the initial investment through paid-in capital.

If the Joint Venture Company requires additional investment in the future, it will be negotiated between the two parties at that time.

MANAGEMENT DISCUSSION AND ANALYSIS

The Framework Agreement A establishes the initial terms and conditions for the cooperation between the parties. The specific details regarding the establishment of the Joint Venture Company and the acquisition of land will be outlined in separate agreements – the joint venture agreement and the sale and purchase of state-owned land use right agreement, respectively.

Weiyang District, Xi'an City clean energy municipal centralized cooling/heating project

References is made to the announcement of the Company dated 10 September 2024, in relation to that HK Power Investment (Shenzhen) Co., Limited#, an indirect wholly owned subsidiary of the Company has entered into a Strategic Cooperation Framework Agreement (the **"Framework Agreement B"**) with the People's Government of Weiyang District, Xi'an City for an exclusive franchise for clean energy municipal centralized cooling/heating project (the **"Project B"**).

The Group will invest in the Project B located in the Weiyang Lake area of Xi'an City with a maximum amount of RMB417 million and responsible for the building of a 182.2MW integrated energy station and a 5 million square meter wastewater source system along with the installation of transmission and distribution pipelines. Upon completion of the construction, the Group will obtain the exclusive franchise for the Project B.

The Framework Agreement B establishes the initial terms and conditions for the cooperation between the parties, with specific details to be separately formalized in an investment service agreement.

The aforesaid agreements does not commit to the purchase requirement which is subject to conditions in the annual supply agreements.

Save as disclosed above, there was no other plan authorised by the Board for other material investments or additions of capital assets as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Company during the Reporting Period entered into by the Group in the ordinary and usual course of business and on normal commercial terms are set out in note 24 to the condensed consolidated financial statements. Each of the related party transactions during the Reporting Period 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' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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 period or at any time during the period, nor had there been any contract of significance entered into between the Company and a controlling shareholder of the Company during the Reporting Period.

CORPORATE GOVERNANCE CODE

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company has adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Part 2 of Appendix C1 to the Listing Rules as its code of corporate governance. For the Reporting Period, the Board is of the view that the Company has complied with the applicable code provisions set out in the CG Code as contained in Part 2 of Appendix C1 to the Listing Rules.

UPDATE ON THE DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, there were no changes in the information of the directors of the Company (the "**Directors**") since the date of the 2024 annual report of the Company required to be disclosed in this Interim Report 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (the "**Model Code**") as set out in Appendix C3 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 six months ended 30 September 2024.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2024, 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 of Hong Kong (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules were as follows:

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

Name of Directors	Capacity nature of interests	Long position/ Short position	Number of Ordinary shares held	Approximate percentage of shareholding <small>(Note 1)</small>
Dr. Kan Che Kin, Billy Albert	Beneficial owner and interests in controlled corporation	Long position	4,025,469,558 <small>(Note 2)</small>	60.32%
		Short position	1,252,000,000	18.76%
Mr. Deng Yaobo	Beneficial owner	Long position	700,000,000 <small>(Note 3)</small>	10.49%
Mr. Li Kai Yien	Beneficial owner	Long position	200,000	0.01%
Mr. Simon Murray	Beneficial owner	Long position	5,000,000 <small>(Note 3)</small>	0.07%

Notes:

1. Based on 6,674,029,649 shares of the Company in issue as at 30 September 2024.
2. 5,000,000 shares among these 4,025,469,558 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 60.32% of the shareholding in the Company. Dr. Kan is the Chairman and an executive Director of the Company, Dr. Kan is also a director of Ground Up.
3. These shares represent the option shares, which were beneficially owned by Dr. Kan, were granted by Dr. Kan to Mr. Murray and Mr. Deng upon the exercise in full of the rights pursuant to option deed agreements entered between Dr. Kan and each of Mr. Murray and Mr. Deng. Mr. Deng is the chief executive officer and an executive Director of the Company. Mr. Murray is non-executive Director of the Company. Details of share options held by the Directors are shown in the section “Share Option Scheme” below.

Directors’ Interests in Shares in Associated Corporation of the Company

Name of Director	Name of company in which interests were held	Nature of interests	Number of Shares held	Approximate percentage of interests in the capital of the associated corporation
Dr. Kan Che Kin, Billy Albert	Key Fit Group Limited	Beneficial owner	69,982,878	10.00%

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2024.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2024, the Directors were not aware of any persons (other than Directors or chief executives of the Company whose interests are set out in the section “Directors’ and Chief Executives’ Interests and/or Short Positions in the Shares, Underlying Shares and Debentures” above), had interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The existing 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 Group 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 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 Scheme but the provisions of the 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 Group, who may be invited by the Directors to take up options as referred to the Scheme.

OTHER INFORMATION

Further details in relation to share options are set out in note 23 to the condensed consolidated financial statements, details of the movements of the share options during the period under the Scheme are as follows:

		Number of Share Options					Vesting and exercise period <small>(Note 1)</small>	Exercise Price HK\$
	Date of grant	As at 1 April 2024	Granted during the period	Exercised during the period	Lapsed/Cancelled during the period	As at 30 September 2024		
Director								
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
Director Subtotal		105,640,000	–	–	–	105,640,000		
Employees								
Ms. Yu Ada	21 August 2023	56,000,000	–	–	–	56,000,000	Option H	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
	21 August 2023	4,000,000	–	–	(4,000,000)	–	Option H	0.50
Other 5 employees	31 March 2021	800,000	–	–	(200,000)	600,000	Option C	0.50
	30 September 2021	1,200,000	–	–	–	1,200,000	Option E	0.50
	21 August 2023	8,400,000	–	–	–	8,400,000	Option H	0.50
Employee subtotal		74,400,000	–	–	(8,200,000)	66,200,000		
		180,040,000	–	–	(8,200,000)	171,840,000		

During the period ended 30 September 2024, 8,200,000 option shares were lapsed due to termination of employment contracts. As at 30 September 2024, the number of shares available for grant under the 2019 Scheme was 310,839,709 shares (31 March 2024: 310,839,709 shares), representing 4.66% (31 March 2024: 5.20%) of the total number of issued shares of the Company.

OTHER INFORMATION

The total number of shares available for issue under the 2019 Scheme was 482,679,709 (2023: 492,429,709), representing approximately 7.23% (2023: 8.57%) of the 6,674,029,649 ordinary shares in issue as of the date of the 2024 interim report (and of the 5,743,797,090 ordinary shares in issue as of the date of the 2023 interim report).

As at the period ended 30 September 2024, the number of shares that may be issued in respect of options granted during the year under the 2019 Scheme was 66,720,000 and this divided by the weighted average number of shares of the Company in issue for the period ended 30 September 2024 being approximately 6,552,031,936 is 1.02%.

Subject to any early termination or/and as may be determined by the Board, the share options granted are valid for a term of ten years commencing from the date of grant, any share options not exercised by the end of validity period shall lapse. As at 30 September 2024, an aggregate of 66,720,000 shares (31 March 2024: 43,780,000 shares) under the Share Option Scheme were vested and entitling the holders to exercise the option in the validity period.

Remuneration committee of the Company reviewed matters related to share schemes under Chapter 17 of the Listing Rules, approved the key terms of any new compensation and benefits plans that have a material financial, reputational and strategic impact on the Company.

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
Option H	From 21 August 2023 to 21 August 2033

2. Subject to the rules of the 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:

Percentage of the Share Options that are vested and exercisable	Period for the exercise of the relevant Share Options
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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section “Share Option Scheme” and “Directors’ and Chief Executive’s Interests and/or Short Positions in Shares, Underlying Shares and Debentures” in this report, at no time during the period 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 period 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 Group’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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, a total of 15,920,000 shares of the Company have been sold by the securities brokerage business of the Company due to the foreclosure of a margin client, pursuant to the terms agreed, to recover the outstanding receivables from the margin client.

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 Reporting Period.

OTHER INFORMATION

AUDIT COMMITTEE

The Company established an Audit Committee in accordance with Rule 3.21 of the Listing Rules with terms of reference aligned with provision of the CG Code. The primary responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial controls, internal control and risk management systems, to review and monitor the effectiveness of the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee consists of three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee as its members, Currently Mr. Li Siu Yui is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2024 and this report.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to all our management and staff members for their ongoing contribution and hard work. We would also like to thank our shareholders for their continuing support.

On behalf of the Board

China HK Power Smart Energy Group Limited
Kan Che Kin, Billy Albert

Chairman

Hong Kong, 29 November 2024