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## CHINA LNG GROUP LIMITED

中國天然氣集團有限公司\*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

The board (the “**Board**”) of directors (the “**Directors**”) of China LNG Group Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2023 (the “**Current Year**”).

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
REVENUE	3	211,850	432,547
Cost of sales		<u>(227,951)</u>	<u>(466,673)</u>
Gross loss		(16,101)	(34,126)
Other income and other gains and losses, net		1,180	7,750
Selling and distribution expenses		(8,378)	(11,939)
Administrative expenses		(123,393)	(124,602)
Reversal of impairment under expected credit losses model		742	10,318
Impairment of non-financial assets		–	(33,470)
(Impairment)/reversal of impairment of interests in associates		(205)	1,904
Finance costs		(34,859)	(11,101)
Share of result of joint ventures		(1,830)	(1,607)
Share of result of an associate		–	(2,626)
LOSS BEFORE TAX		<u>(182,844)</u>	<u>(199,499)</u>
Income tax credit/(expense)	4	<u>1,857</u>	<u>(69)</u>
LOSS FOR THE YEAR		<u><u>(180,987)</u></u>	<u><u>(199,568)</u></u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**

*For the year ended 31 March 2023*

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
LOSS FOR THE YEAR		<b>(180,987)</b>	(199,568)
<b>OTHER COMPREHENSIVE (EXPENSE)/INCOME</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations of:			
– subsidiaries		(57,437)	56,151
– joint ventures		(381)	147
– an associate		–	1
Reclassification of cumulative exchange reserve upon disposal of a subsidiary		–	(3,688)
		<b>(57,818)</b>	52,611
<b>TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR</b>		<b>(238,805)</b>	(146,957)
Loss for the year attributable to:			
Owners of the Company		(167,194)	(198,790)
Non-controlling interests		(13,793)	(778)
		<b>(180,987)</b>	(199,568)
Total comprehensive expense attributable to:			
Owners of the Company		(221,070)	(157,370)
Non-controlling interests		(17,735)	10,413
		<b>(238,805)</b>	(146,957)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
	6		
– Basic		<b>(HK2.96 cents)</b>	(HK3.52 cents)
– Diluted		<b>(HK2.96 cents)</b>	(HK3.52 cents)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>447,921</b>	506,771
Other intangible assets		<b>4,131</b>	5,416
Right-of-use assets		<b>105,937</b>	135,820
Interests in joint ventures	7	<b>76,548</b>	77,746
Interests in an associate		–	222
Deposits for acquisition of plant and equipment		<b>116,089</b>	124,989
Deposits for acquisition of land use rights		<b>46,165</b>	49,186
Other assets		<b>298,426</b>	322,069
Statutory deposits		<b>200</b>	200
		<hr/>	<hr/>
Total non-current assets		<b>1,095,417</b>	1,222,419
<b>CURRENT ASSETS</b>			
Inventories		<b>9,033</b>	9,958
LNG finance lease receivables		<b>10,433</b>	10,217
Loan and reimbursement receivables	8	<b>112,787</b>	118,302
Accounts and other receivables, prepayments and deposits	9	<b>77,932</b>	198,229
Financial assets at fair value through profit or loss		<b>4</b>	3
Bank balances held on behalf of clients		<b>608</b>	995
Cash and cash equivalents		<b>31,769</b>	26,601
		<hr/>	<hr/>
Total current assets		<b>242,566</b>	364,305
<b>CURRENT LIABILITIES</b>			
Accounts payables	10	<b>131,342</b>	147,156
Other payables and accruals		<b>506,898</b>	471,873
Interest-bearing bank borrowings	11	<b>88,323</b>	49,706
Lease liabilities		<b>4,762</b>	77,133
Tax payable		<b>6,016</b>	1,026
		<hr/>	<hr/>
Total current liabilities		<b>737,341</b>	746,894
<b>NET CURRENT LIABILITIES</b>		<b>(494,775)</b>	(382,589)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>600,642</b>	839,830
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)***At 31 March 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Loans from a shareholder		<b>476,430</b>	466,930
Interest-bearing bank borrowings	<i>11</i>	<b>26,684</b>	46,452
Lease liabilities		<b>1,159</b>	2,626
Deferred tax liabilities		<b>2,276</b>	3,208
		<hr/>	<hr/>
Total non-current liabilities		<b>506,549</b>	519,216
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>94,093</b>	320,614
		<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVE</b>			
Share capital		<b>112,876</b>	112,876
Reserves		<b>(48,124)</b>	111,005
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>64,752</b>	223,881
		<hr/>	<hr/>
Non-controlling interests		<b>29,341</b>	96,733
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>94,093</b>	320,614
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE AND GROUP INFORMATION

China LNG Group Limited is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company in Hong Kong is 8th floor, St. John’s Building, 33 Garden Road, Central, Hong Kong.

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

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

These financial results have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost basis expected for certain financial instruments that are remeasured at fair value at end of each reporting period. These financial results are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand unless otherwise stated.

### (b) Application of new and amendments to HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time:

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

The application of the above amendments to HKFRSs in the current year has no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosure set out in the consolidated financial statements.

(c) **Adoption of the going concern basis**

When preparing the consolidated financial statements, the Group's ability to continue as a going concern has been assessed. The consolidated financial statements have been prepared by the directors on a going concern basis notwithstanding that the Group incurred a loss of HK\$180,987,000 for the year ended 31 March 2023, and the Group had net current liabilities of HK\$494,775,000 as of that date, as the directors considered that:

- (1) Dr. Kan Che Kin, Billy Albert (“**Dr. Kan**”), being the beneficial owner and controlling shareholder of the Company, has undertaken to provide continuing financial support to the Group until 30 June 2024;
- (2) The Company entered into loan facility agreements with Dr. Kan in relation to the provision of standby facilities of HK\$800,000,000 to the Company by Dr. Kan, and the Group had unutilised facilities of approximately HK\$260,263,000 as at 31 March 2023;
- (3) The Group is taking measures to tighten controls over various costs and actively enhance its market position in the LNG industry by expanding its customer base with the aim to attain profitable and positive cash flow operations in the coming financial year; and
- (4) The Group is actively negotiating with the bankers in the Mainland China to obtain a new credit line to finance the Group's operations.

After taking into consideration of the above factors and funds expected to be generated internally based on the directors' estimation on the future cash flow of the Group, which cover a period of not less than twelve months from 31 March 2023, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the consolidated financial statements to be prepared on a going concern basis.

**3. REVENUE AND SEGMENT INFORMATION**

Revenue is analysed as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKPRS15		
Sales and distribution of LNG	139,526	315,039
Provision of LNG logistics services	<u>72,267</u>	<u>116,893</u>
	<u>211,793</u>	<u>431,932</u>
Revenue from other sources		
Interest income from loan financing	<u>57</u>	<u>615</u>
	<u><u>211,850</u></u>	<u><u>432,547</u></u>

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

During the current year, the Group's principal activities of the operating and reportable segments are re-grouped due to internal reorganisation and change of internal financial reporting to the CODM, as follows:

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

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

<b>2023</b>	<b>LNG business</b> <i>HK\$'000</i>	<b>Financial services</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Segment revenue	276,486	57	276,543
Inter-company sales	(64,693)	–	(64,693)
Revenue from external customers	<u>211,793</u>	<u>57</u>	<u>211,850</u>
Segment results before depreciation and amortisation	(65,136)	(6,615)	(71,751)
Depreciation and amortisation	(69,065)	(2,928)	(71,993)
Segment results	<u><u>(134,201)</u></u>	<u><u>(9,543)</u></u>	<u><u>(143,744)</u></u>
<b>2022</b>	<b>LNG business</b> <i>HK\$'000</i>	<b>Financial services</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Segment revenue	656,645	615	657,260
Intersegment sales	(224,713)	–	(224,713)
Revenue from external customers	<u>431,932</u>	<u>615</u>	<u>432,547</u>
Segment results before depreciation and amortisation	(128,308)	11,767	(116,541)
Depreciation and amortisation	(76,878)	(1,054)	(77,932)
Segment results	<u><u>(205,186)</u></u>	<u><u>10,713</u></u>	<u><u>(194,473)</u></u>

#### 4. INCOME TAX

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

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

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

#### 5. DIVIDENDS

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

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

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

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

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

#### 7. INTERESTS IN JOINT VENTURES

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



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

Name	Particulars of issued equity held	Place of establishment and business	Percentage of		Profit sharing	Principal activities
			Ownership interest	Voting power		
港海能源(珠海)有限公司 (Formerly known as 港海能源(上海)有限公司)	Registered capital of RMB25,500,000 (2022: RMB 25,500,000)	PRC	51 (2022: 51)	(note)	51 (2022: 51)	Sales and distribution of LNG
石家莊盛冉燃氣貿易 有限公司	Registered capital of RMB80,000,000 (2022: RMB 80,000,000)	PRC	50 (2022: 50)	50 (2022: 50)	50 (2022: 50)	Trading of natural gas and transportation

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

The joint ventures are accounted for using the equity method.

## 8. LOAN AND REIMBURSEMENT RECEIVABLES

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

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

The Group holds collateral or other credit enhancement over its loan and reimbursement receivables balance of HK\$142,431,000 (2022: HK\$147,945,000). Included in the loan receivables are loans of HK\$112,787,000 (2022: HK\$118,302,000) to a former non-controlling shareholder of Key Fit Group Limited, a 60.42%-owned subsidiary of the Company, the loans are collateralised with shares of Key Fit Group Limited and the Company. Dr. Kan provided personal undertaking to the Company to purchase the aforementioned loans as at 31 March 2023 and 2022, should the loans are not recovered in full by the Group, accordingly the Group recognises reimbursement receivable of HK\$112,787,000 (2022: HK\$113,845,000) as it is virtually certain that Dr. Kan will reimburse the Group for the loss that the Group might incur if the borrower fails to pay the loans.

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

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Accounts receivables arising from securities brokerage business, net of allowance for credit losses	(a)		
Cash clients		–	–
Margin clients		–	1,395
Accounts receivables arising from LNG business, net of allowance for credit losses	(b)	<b>9,231</b>	18,861
Total accounts receivables		<b>9,231</b>	20,256
Prepayments		<b>34,722</b>	43,562
Deposits and other receivables		<b>18,320</b>	78,997
Loans to third parties		<b>2,010</b>	2,169
Amount due from a joint venture	(c)	–	2,222
Value-added tax recoverable		<b>13,649</b>	51,023
		<b>77,932</b>	198,229

### Notes:

- (a) The Group has ceased to carry on the securities brokerage business and was in the process of returning client assets during the years ended 31 March 2023 and 2022.
- (b) The aging analysis of accounts receivables arising from LNG business presented based on the invoice date and net of loss allowance is as follows:

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

- (c) The amount is unsecured, interest-free and repayable on demand.

## 10. ACCOUNTS PAYABLES

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

### Notes:

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

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

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

## 11. INTEREST-BEARING BANK BORROWINGS

The Group's bank borrowings are repayable as follows:

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

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

The bank borrowings are secured by land use rights with aggregate carrying amount of approximately HK\$66,924,000 and property, plant and equipment with aggregate carrying amount of approximately HK\$18,591,000.

## 12. EVENT AFTER REPORTING PERIOD

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

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

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

The Company is of the view that the Statutory Demand currently does not affect the normal business and operations of the Group, and will not have any material and adverse impacts on the overall business, operation or financial performance of the Group. Please refer to the announcement of the Company dated 16 May 2023 for details.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRY OVERVIEW**

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

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

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

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

### **BUSINESS REVIEW**

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

## **SALES AND DISTRIBUTION OF LNG**

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

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

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

### **Wholesale of LNG (trade)**

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

### **Distribution of LNG (logistics)**

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

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

### **LNG Pipeline Network**

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

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

## **Infrastructure Projects**

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

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

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

## **FINANCIAL SERVICES BUSINESS**

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



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

## FINANCIAL REVIEW

### Revenue

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

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

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

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

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



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

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

## **Other Income and Other Gains and Losses**

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

## **Selling and Distribution Expenses**

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

## **Administrative Expenses**

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

## **Finance Costs**

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

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

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

## **Impairment Loss on Fixed Assets**

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

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

## **Income Tax Credit/(Expense)**

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

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

## **Loss for The Year**

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

## **Final Dividend**

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

## **Property, Plant and Equipment**

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

## **Loan and Reimbursement Receivables**

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

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

## **Accounts and Other Receivables**

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

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

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

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

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

## **GEARING RATIO**

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

## **PLEDGE OF ASSETS**

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

## **CAPITAL MANAGEMENT**

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

## **CAPITAL COMMITMENT**

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

## **CONTINGENT LIABILITIES**

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

## **RISK MANAGEMENT AND INTERNAL CONTROL**

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

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

## **Macroeconomic Fluctuation and Industry Cyclicity Risks**

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

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

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

## **Risk of Exchange Rate Fluctuations**

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

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

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

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

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

## **LEGAL PROCEEDINGS**

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

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

## **EMPLOYEES AND REMUNERATION POLICIES**

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

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

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



## **MATERIAL ACQUISITIONS AND DISPOSALS**

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

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

Neither the Company nor any of its subsidiaries purchased or sold or redeemed any of the Company's listed securities during the year ended 31 March 2023.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

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

## **CORPORATE GOVERNANCE CODE**

The Board and the management of the Group 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**”) as set out in Appendix 14 to the Listing Rules as its code of corporate governance. For the Current Year, the Board is of the view that the Company has complied with all code provisions set out in the CG Code save and except for code provision A.2.1 and A.4.1 of the CG Code set out as follows:

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

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

### **Securities Transactions by Directors**

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

### **Securities Transactions by Senior Management and Staff**

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

## **SCOPE OF WORK OF AUDITOR**

The figures in respect of the Company’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in this announcement have been agreed by the Company’s auditor, McMillan Woods (Hong Kong) CPA Limited (“McMillan Woods”), to the amounts set out in the Company’s audited consolidated financial statements for the year. The work performed by McMillan Woods in this respect was limited and did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by McMillan Woods on the announcement.

## **REVIEW BY AUDIT COMMITTEE**

The Company established an audit committee in accordance with Rule 3.21 of the Listing Rules with terms of reference aligned with the provision of the CG Code. The audit committee comprises three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee. Currently Mr. Li Siu Yui is the chairman of the audit committee.

The audit committee of the Company has reviewed the consolidated annual results for the Current Year and discussed with the management and the auditor, the audit committee is of the view that the consolidated financial statements for the Current Year have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Directors confirmed that the Company has maintained a sufficient amount of public float for the shares of the Company as required under the Listing Rules throughout the Current Year.



## **ANNUAL GENERAL MEETING**

The notice of the annual general meeting will be published in the Company's website and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

## **PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY**

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at <http://chinalng.todayir.com>. The annual report of the Company for the year ended 31 March 2023 containing all information required by the Listing Rules will be dispatched to shareholders of the Company and published on the above websites in due course.

By Order of the Board  
**China LNG Group Limited**  
**Kan Che Kin, Billy Albert**  
*Chairman*

Hong Kong, 30 June 2023

*As at the date of this announcement, the Board comprises two executive Directors, namely Dr. Kan Che Kin, Billy Albert (Chairman) and Mr. Li Kai Yien, Arthur Albert; and three non-executive Directors, namely Dr. Lam, Lee G., Mr. Simon Murray and Mr. Xiao Cong; and three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee.*

\* *For identification purposes only*