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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The board (the "**Board**") of directors (the "**Directors**") of China LNG Group Limited (the "**Company**") announces the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2020, together with the comparative figures for the previous period prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2020

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

	Notes	Year ended 31 March 2020 HK$'000	Period from 1 January 2018 to 31 March 2019 HK$'000
Attributable to:			
Owners of the parent		**(252,203)**	(254,328)
Non-controlling interests		**(54,555)**	(305)
		(306,758)	(254,633)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		
– Basic		**(HK4.47 cents)**	(HK4.51 cents)
– Diluted		**(HK4.47 cents)**	(HK4.51 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**470,054**	613,703
Prepaid land lease payments		**–**	37,721
Goodwill		**876**	930
Other intangible assets		**7,216**	9,086
Right-of-use assets		**107,219**	–
Interests in joint ventures	*8*	**124,804**	132,019
Interests in associates		**7,622**	16,161
Deposits for acquisition of plant and equipment		**109,932**	179,337
Deposits for acquisition of land use rights		**110,621**	89,991
Other assets		**285,285**	305,271
Receivables under LNG finance lease arrangements	*9*	**–**	9,165
Statutory deposits		**250**	250
Total non-current assets		**1,223,879**	1,393,634
CURRENT ASSETS			
Inventories		**10,585**	21,242
Receivables under LNG finance lease arrangements	*9*	**6,342**	8,082
LNG finance lease receivables	*10*	**6,468**	8,447
Loan receivables	*11*	**102,878**	186,804
Accounts and other receivables, prepayments and deposits	*12*	**284,620**	350,177
Bank balances held on behalf of clients		**1,590**	15,247
Cash and cash equivalents		**50,031**	100,388
Total current assets		**462,514**	690,387
CURRENT LIABILITIES			
Accounts payables	*13*	**86,731**	77,251
Other payables and accruals	*14*	**467,091**	550,213
Interest-bearing bank borrowings	*16*	**63,336**	50,244
Lease liabilities		**33,046**	–
Tax payable		**3,938**	3,319
Total current liabilities		**654,142**	681,027

	Notes	2020	2019
		HK$'000	*HK$'000*
NET CURRENT (LIABILITIES)/ASSETS		**(191,628)**	9,360
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,032,251**	1,402,994
NON-CURRENT LIABILITIES			
Obligations under finance lease	*15*	**–**	4,736
Lease liabilities		**46,471**	–
Loans from a shareholder	*14*	**468,781**	493,922
Deferred tax liabilities		**4,330**	3,907
Total non-current liabilities		**519,582**	502,565
Net assets		**512,669**	900,429
EQUITY			
Equity attributable to owners of the parent			
Share capital		**112,876**	112,876
Reserves		**30,223**	344,932
		143,099	457,808
Non-controlling interests		**369,570**	442,621
Total equity		**512,669**	900,429

NOTES

1. Corporate and group information

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

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

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

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

There were no significant changes in the nature of the Group's principal activities during the year.

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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial results are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand unless otherwise stated.

(b) Changes in accounting policies and disclosures

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

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

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised HKFRSs has had no significant financial impact on the Group's financial results.

The Group has adopted HKFRS 16 from its mandatory adoption date of 1 April 2019. The Group has applied the simplified transition approach and has not restated comparative amounts for the reporting period of 2019. Right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance on 1 April 2019.

(i) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.75%.

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

Under the simplified transition approach, the associated right-of-use assets were measured at the amount equal to the lease liabilities on adoption, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The land used rights and obligations under finance lease were reclassified to right-of-use assets and lease liabilities as of 1 April 2019 respectively.

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

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

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

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

There was no significant impact on the Group's loss after tax for the year ended 31 March 2020 as a result of adoption of HKFRS 16.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of 12 months or less at 1 April 2019 as short-term lease;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 "Determining whether an Arrangement contains a Lease".

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

The Group mainly leases various offices, staff quarters, carparks and motor vehicles for both short-term and long-term contracts. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of properties were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to consolidated profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets consist of properties, land use rights and motor vehicles.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in consolidated profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(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$306,758,000 for the year ended 31 March 2020 and as of that date, the Group had net current liabilities of HK$191,628,000 as the directors considered that:

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

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

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

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

3. REVENUE

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

	Year ended 31 March 2020 *HK$'000*	Period from 1 January 2018 to 31 March 2019 *HK$'000*
Revenue from contracts with customers		
Sales and distribution of LNG	**1,752,781**	2,581,019
Provision of LNG logistic services	**68,966**	31,646
Finance lease income		
– LNG finance lease arrangements	**5,235**	5,268
– LNG finance leases	**7,978**	5,284
Provision of financial services		
– Interest income from securities margin financing	**5,025**	6,275
– Services fee income	**1,000**	233
– Commission and brokerage income	**74**	9,130
Interest income from loan financing	**16,379**	32,079
	1,857,438	2,670,934

4. LOSS BEFORE TAX

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

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

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

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

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year/period, except for one of the subsidiaries which is a qualifying entity under the two-tiered profits tax rate regime of Hong Kong profits tax and its first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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

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

6. DIVIDENDS

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

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

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

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

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

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

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

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

8. INTERESTS IN JOINT VENTURES

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

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

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

Name	Particulars of issued shares held	Place of establishment and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
港海能源(上海)有限公司	Registered capital of RMB102,000,000	PRC/Mainland China	51	*(note)*	51	Sales and distribution of LNG

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

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

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

9. RECEIVABLES UNDER LNG FINANCE LEASE ARRANGEMENTS

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

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

The Group entered into finance lease arrangements pursuant to which the lessees sold their vehicles to the Group and leased back the assets with lease periods ranging from 1.5 years to 5 years (2019: 1.5 years to 5 years) from the date of inception. The ownership of leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and interest accrued under the finance lease arrangements. The lessees retain control of the assets before and after entering into the arrangements. These finance lease arrangements do not constitute leases for accounting purposes.

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

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

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

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

10. LNG FINANCE LEASE RECEIVABLES

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

The Group entered into finance lease contracts pursuant to which the Group purchased new vehicles or equipment from third party manufacturers or distributors of its choice or of the lessees' choice and leased the assets to the lessees with lease periods ranging from 2 years to 4.5 years (2019: 2 years to 4.5 years) from the date of inception. The ownership of the leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and interest accrued under the finance lease contracts. The lessees obtain control of the assets after entering into the contracts.

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

	2020	2019
	HK$'000	*HK$'000*
Neither past due nor impaired	**6,393**	8,318
Past due but not impaired:		
Within 3 months	**75**	103
4 to 6 months	**–**	21
7 to 9 months	**–**	5
	6,468	8,447

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

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

11. LOAN RECEIVABLES

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

Loan receivables relate to 2 (2019: 2) customers. The Company seeks to maintain strict control over its outstanding loan receivables so as to minimise credit risk. The granting of loans is subject to approval by management. Loan receivables are charged at the effective interest rates mutually agreed with contracting parties at fixed rates of 1% to 18% (2019: 12% to 18%) per annum.

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

12. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

Notes:

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

At 31 March 2020, the accounts receivables from margin clients were repayable on demand, interest-bearing at 9.25% (2019: 9.25%) per annum and secured by clients' securities that are listed on the Stock Exchange with a total market value of approximately HK$11,662,000 (2019: HK$51,909,000).

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

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

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

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group.

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

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

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

13. ACCOUNTS PAYABLES

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

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

The accounts payables amounting to approximately HK$1,499,000 (2019: HK$15,247,000) were payable to clients in respect of the segregated client bank balances received and held for clients in the course of the conduct of regulated activities. The carrying amounts of the accounts payable arising from the ordinary course of business of dealing in securities are mainly denominated in Hong Kong dollars.

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

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

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

14. OTHER PAYABLES AND ACCRUALS

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

Notes:

(a) Contract liabilities represented short-term advances received before sales and distribution of LNG to customers.

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

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

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

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

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

15. FINANCE LEASE ARRANGEMENTS

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

	Minimum lease payments 2020 *HK$'000*	Minimum lease payments 2019 *HK$'000*	**Present value of minimum lease payments 2020** *HK$'000*	Present value of minimum lease payments 2019 *HK$'000*
Within one year	**–**	9,444	**–**	8,415
In the second year	**–**	4,893	**–**	4,736
Total minimum finance lease payments	**–**	14,337	**–**	13,151
Future finance charges	**–**	(1,186)		
Total net lease payment payables	**–**	13,151		
Portion classified as current liabilities in accruals and other payables	**–**	(8,415)		
Non-current portion	**–**	4,736		

The Group recognised the payable for the finance lease of motor vehicles in obligations under finance leases before 1 April 2019. On the date of transition to HKFRS 16, obligations under finance leases of HK$13,151,000 were adjusted to lease liabilities recognised at 1 April 2019 (note 2(b)).

16. INTEREST-BEARING BANK BORROWINGS

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

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

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

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

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

17. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The Board would like to draw the users' attention that the Company's external auditor, without qualifying their opinion, has included the "Material Uncertainty Related to Going Concern" paragraph in the independent auditor's report in the consolidated financial statements of the Group for the year ended 31 March 2020.

Attention to note 2(c) above has been drawn by the Company's external auditor which indicates that the Group incurred a net loss of HK$306,758,000 for the year ended 31 March 2020 and as of that date, the Group had net current liabilities of HK$191,628,000 respectively. As stated in note 2(c), these conditions, along with other matters as set forth in note 2(c) above indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Their opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

The natural gas industry as a whole in 2020 will ride against the wind under the great historical progress. In the Strategic of Action Energy Development (2014-2020) issued by the General Office of the State Council in November 2014, it was clearly stated that, the proportion of natural gas in primary energy shall reach 10% or higher by the year 2020, which happen to be this year. According to the Implementation Opinions on Accelerating the Construction of Natural Gas Reserve Capacity published by the National Development and Reform Commission on 10 April 2020, the domestic natural gas industry has been developing rapidly in recent years, natural gas consumption has been continuing its rapid growth and the importance of natural gas in the national energy system has been increasing continuously. Meanwhile, problems such as the lagging behind of gas storage infrastructure and insufficient reserve capacity have become prominent, which have become obstacles in the safe and stable supply of natural gas and hindrance to the healthy development of the industry.

The "Guiding Opinion of the National Energy Administration for Energy Work in 2020 (《2020年能源工作指導意見》)" recently issued by the National Energy Administration even clearly points out that it is necessary to "accelerate the construction of natural gas production-supply-storage-sale system, accelerate the construction of pipeline network and storage facilities, make up for the weaknesses in natural gas interconnection and delivery capability in core areas, to form a "nationwide network". Promotion of the implementation of long-term agreements and procurement of liquefied natural gas (LNG) in an orderly manner and improvement of the coordination mechanism of environment assessment in respect of sea and land actively facilitate the construction of projects."

For years, the Group has been vigorously developing end-users business. With the development of a diversified client base, the Group has successfully shifted from sole reliance, on industrial channels towards the development direction and approach of the previous year which are more systematic with higher customer and government loyalty. New approaches include the establishment of regional clean energy supply centers, regional LNG reserve plus ancillary pipe network, district central heating and decentralized energy projects, vehicle and ship LNG refilling station project and granting of township concession rights. In particular, the Group has acquired a dozen of pipeline gas franchises in the development of Beautiful Township, and cash flow of the Group will increase through the collection of connection fees. The Group will also complete the construction of gas supply as soon as possible for over 50,000 users. The number of users shall increase by more than 200,000 for the coming year. Also under the planning of Beautiful Township, the Group has officially started to attract customers using LPG tanks by way of selling LNG dewar bottles. With the gradual stabilisation of LNG prices in the PRC and the development and operation of the Group's diversified end-user terminals, the Group's development and construction in the PRC terminal market will yield a better profit return beginning in 2020, and the Group will maintain a healthy profit growth and market in upcoming years.

LNG midstream transportation is an important part of the LNG industry chain. As the fight against coronavirus pandemic gradually took effect, many countries launched measures and policies in stages such as social insurance concession and cost reduction of gas used by enterprises, which encouraged resumption of work, and removed obstruction of logistics and transportation. The LNG market sentiment has gradually recovered along with improvement in the gas demand from end-users. Attributed to the combined favourable effects of supply shortage of LNG trucks due to its high demand, and continuous resumption of work and production and other factors, the Group's business of LNG truck transportation is expected to embrace another blossoming period in 2020.

China LNG Group has always been insisting on "tackling air pollution and improving the environment". Based on the philosophy of "increasing income and lowering cost to enhance efficiency", the Group continuously optimizes the organizational structure and staff as well as improving efficiency, in order to enhance the Group's comprehensive profitability and the core competitiveness of its talents.

BUSINESS REVIEW

SALES AND DISTRIBUTION OF LNG

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

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

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

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

Point-to-point supply of LNG

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

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

Wholesale of LNG (trade)

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

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

Distribution of LNG

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

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

Operation of LNG tank containers

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

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

Sizable Terminal Infrastructure

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

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

Finance leasing

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

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

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

Trading of securities

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

Securities brokerage

The Group conducts its securities brokerage business through China Hong Kong Capital Asset Management Limited ("**CHKCAML**").

CHKCAML is registered as a licensed corporation under the Securities and Futures Commission of Hong Kong (the "**SFC**") to carry on Type 1 (Dealing in Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (the "SFO"). CHKCAML has ceased its securities brokerage services, since 1 April 2020 and will return type 1 licence (Dealing in securities) to SFC. For the year ended 31 March 2020, the Group recorded revenue from interest income from securities margin financing, service fee income of approximately HK$6,099,000.

Financial services

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

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

FINANCIAL REVIEW

This year is a full of opportunities and challenges. The gross turnover and loss attributable to the shareholders for the year ended 31 March 2020 are HK$1,857,438,000 and HK$306,758,000 respectively, representing a decrease of 30.5% and decrease of 0.8% respectively as compared with 15 months ended 31 March 2019 respectively. Loss per share decreased by 0.9% to HK$4.47 cents.

Revenue

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

Other income and other gains and losses

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

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

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

Income tax expense

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

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had total cash and bank balances of approximately HK$50,031,000 as at 31 March 2020 (2019: approximately HK$100,388,000). As at 31 March 2020, bank and other borrowings of the Group amounted to approximately HK$613,600,000 (2019: approximately HK$654,066,000), which include bank borrowings of approximately HK63,336,000 (2019: approximately HK$50,244,000), finance lease liability of HK$Nil (2019: approximately HK$13,151,000), loans from a shareholder of approximately HK$468,781,000 (2019: approximately HK$493,922,000), loans from joint ventures of HK$Nil (2019: approximately HK$47,907,000), loans from third parties of approximately HK$1,966,000 (2019: approximately HK$48,842,000) and lease liabilities of approximately HK$79,517,000 (2019: HK$Nil). The bank borrowings bear interest rate at range of Loan Prime Rate + 0.5% to 2.95% and People's Bank of China benchmark interest rate 280%. The Group's gearing ratio is calculated as net debt divided by total equity was 218% as at 31 March 2020 (2019: 119%). Net debt is calculated as bank and other borrowings, account payables, other payables and accruals and loan from a shareholder less bank balances and cash. Net debts were approximately HK$1,115,425,000 as at 31 March 2020 (2019: Net debts of approximately HK$1,075,978,000). The Group recorded total current assets value of approximately HK$462,514,000 as at 31 March 2020 (2019: approximately HK$690,387,000) and total current liabilities value of approximately HK$654,142,000 as at 31 March 2020 (2019: approximately HK$681,027,000). The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was approximately 0.71 as at 31 March 2020 (2019: approximately 1.01). The current ratio continues to maintain a healthy condition. Currently, the Group's operating and capital expenditures are mainly financed by cash generated from operation, internal liquidity, bank borrowings and fund advanced from the controlling shareholders.

DIVIDEND

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

RISK MANAGEMENT

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

Foreign currency risk

Transactions of the Group were mainly denominated in Hong Kong dollars, Renminbi and United States dollars. In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the year. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangements, if necessary. During the year ended 31 March 2020 and 15 months ended 31 March 2019, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency risks and take actions as appropriate.

Liquidity risk

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

TREASURY POLICIES

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

1. On 24 July 2019, CLNG Natural Gas Co., Ltd. (港能天然氣有限責任公司), an indirect wholly-owned subsidiary of the Company, and Henan Xinhemei Clean Energy Co., Ltd.* (河南鑫和美清潔能源有限公司) ("Xinhemei"), entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Henan Xinhemei has conditionally agreed to purchase 51% equity interests in Henan Jingang Energy Co., Ltd.* (河南金港能源有限公司) ("Henan Jingang") at a consideration of RMB700,000. Completion of the share transfer took place on 30 July 2019 and Henan Jingang ceased to be a subsidiary of the Group.

2. On 30 July 2019, Jiangsu Gangyida Energy Co., Ltd.* (江蘇港易達能源有限公司), an indirect wholly-owned subsidiary of the Company and Zhejiang Free Trade Zone Qianzhu Energy Co., Ltd.* (浙江自貿區千竹能源有限公司) ("Qianzhu Energy") entered into sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Qianzhu Energy has conditionally agreed to purchase 100% equity interests in Puyang Green Dynamic New Energy Co., Ltd.* (沭陽綠動新能源有限公司) ("Puyang Green Dynamic") at a consideration of RMB16,380,000. Completion of the share transfer took place on 19 September 2019 and Puyang Green Dynamic ceased to be a subsidiary of the Group.

3. On 6 September 2019, Zhejiang Gangneng Natural Gas Utilization Co., Ltd.* (浙江港能天然氣利用有限責任公司), an indirect wholly-owned subsidiary of the Company, Wang Yaojian* (汪耀堅) and Zhao Zhizhong* (趙志忠) entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and both Wang Yaojian and Zhao Zhizhong have conditionally agreed to purchase 51% equity interests in Zhejiang Gangsheng New Energy Technology Co., Ltd.* (浙江港盛新能源科技有限公司) ("Zhejiang Gangsheng") at a total consideration of RMB180,000. Completion of the share transfer took place on 27 September 2019 and Zhejiang Gangsheng ceased to be a subsidiary of the Group.

CAPITAL COMMITMENT

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

CONTINGENT LIABILITIES

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

STAFF AND REMUNERATION POLICIES

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

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

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

OTHER MATTERS

Change of Auditor

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE CODE

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

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

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

2. Under the Code Provisions A.4.1 and A.4.2, non-executive Director should be appointed for a specific term and each Director should be subject to retirement by rotation at least once every three years. The existing independent non-executive Directors and non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association (the "Articles of Association") of the Company at least once every three years.

3. Under the Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two of the non-executive directors, Mr. Simon Murray and Mr. Lam Lee G. were unable to attend the general meetings held on 30 August 2019 and three independent non-executive Director, Mr. Au Yeung Po Fung (resigned on 2 September 2019), Mr. Lam Lum Lee and Dr. Li Yao (resigned on 13 January 2020) were unable to attend the general meetings held on 30 August 2019 as they had other business engagements. However, they subsequently requested the company secretary of the Company to report to them on the views of the Shareholders in the general meetings. As such, the Board considers that the development of a balanced understanding of the views of Shareholders among the non-executive Directors and independent non-executive Directors was ensured.

PUBLICATION OF INFORMATION ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the website of the Company (http://chinalng.todayir.com) and the website of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 March 2020 will be dispatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 29 June 2020

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

* *For identification purposes only*