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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)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021**

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 2021, together with the comparative figures for the previous year prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2021

	Notes	2021 <b>HK\$'000</b>	2020 <b>HK\$'000</b>
REVENUE	3	<b>775,235</b>	1,857,438
Cost of revenue		<u><b>(724,604)</b></u>	<u>(1,848,363)</u>
Gross profit		<b>50,631</b>	9,075
Other income and other gains and losses		<b>537</b>	1,009
Selling and distribution expenses		<b>(11,026)</b>	(19,470)
Administrative expenses		<b>(117,158)</b>	(116,682)
Reversal of impairment of receivables under LNG finance lease arrangements		<b>5,830</b>	1,195
Reversal of impairment/(impairment) of LNG finance lease receivables		<b>2,924</b>	(1,605)
Impairment of property, plant and equipment		<b>(14,466)</b>	(21,864)
Impairment of loan receivables		<b>(5,084)</b>	(63,221)
Reversal of impairment/(impairment) of accounts receivables arising from dealing in securities		<b>761</b>	(37,834)
Impairment of accounts receivables arising from LNG business		<b>(10,442)</b>	(14,004)
Impairment of interests in associates		<b>(2,081)</b>	(5,350)
Impairment of other receivables		<b>(3,056)</b>	–
Finance costs		<b>(7,798)</b>	(32,693)
Share of (losses)/profits of:			
Joint ventures		<b>(2,559)</b>	369
Associates		<u><b>(756)</b></u>	<u>(3,465)</u>
LOSS BEFORE TAX	4	<b>(113,743)</b>	(304,540)
Income tax credit/(expense)	5	<u><b>4,306</b></u>	<u>(2,218)</u>
LOSS FOR THE YEAR		<u><b>(109,437)</b></u>	<u>(306,758)</u>

		2021	2020
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Attributable to:			
Owners of the parent		(82,264)	(252,203)
Non-controlling interests		<u>(27,173)</u>	<u>(54,555)</u>
		<b><u>(109,437)</u></b>	<b><u>(306,758)</u></b>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
– Basic		<b><u>(HK1.46 cents)</u></b>	<b><u>(HK4.47 cents)</u></b>
– Diluted		<b><u>(HK1.46 cents)</u></b>	<b><u>(HK4.47 cents)</u></b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
LOSS FOR THE YEAR	<u>(109,437)</u>	<u>(306,758)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent years:		
Exchange differences arising on translation of :		
Foreign operations of subsidiaries	47,570	(81,306)
Foreign operations of joint ventures	96	—
Foreign operations of associates	404	—
Release of exchange reserve upon disposal of subsidiaries	<u>(546)</u>	<u>(286)</u>
	<u>47,524</u>	<u>(81,592)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(61,913)</u>	<u>(388,350)</u>
Attributable to:		
Owners of the parent	(57,823)	(315,484)
Non-controlling interests	<u>(4,090)</u>	<u>(72,866)</u>
	<u>(61,913)</u>	<u>(388,350)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	2021 HK\$'000	2020 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		490,742	470,054
Goodwill		–	876
Other intangible assets		6,832	7,216
Right-of-use assets		152,220	107,219
Interests in joint ventures	8	42,012	124,804
Interests in associates		915	7,622
Deposits for acquisition of plant and equipment		144,348	109,932
Deposits for acquisition of land use rights		49,958	110,621
Other assets		309,007	285,285
Statutory deposits		200	250
Total non-current assets		1,196,234	1,223,879
<b>CURRENT ASSETS</b>			
Inventories		8,913	10,585
Receivables under LNG finance lease arrangements	9	–	6,342
LNG finance lease receivables	10	–	6,468
Loan receivables	11	112,357	102,878
Accounts and other receivables, prepayments and deposits	12	216,660	284,620
Bank balances held on behalf of clients		–	1,590
Cash and cash equivalents		68,420	50,031
Total current assets		406,350	462,514
<b>CURRENT LIABILITIES</b>			
Accounts payables	13	86,462	86,731
Other payables and accruals	14	463,978	467,091
Interest-bearing bank borrowings	15	23,656	63,336
Lease liabilities		52,561	33,046
Tax payable		1,618	3,938
Total current liabilities		628,275	654,142

	<i>Notes</i>	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <i>HK\$'000</i>
NET CURRENT LIABILITIES		<u>(221,925)</u>	<u>(191,628)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>974,309</u>	<u>1,032,251</u>
NON-CURRENT LIABILITIES			
Loans from a shareholder	14	434,981	468,781
Interest-bearing bank borrowings	15	53,226	—
Lease liabilities		27,149	46,471
Deferred tax liabilities		<u>3,245</u>	<u>4,330</u>
Total non-current liabilities		<u>518,601</u>	<u>519,582</u>
Net assets		<u><u>455,708</u></u>	<u><u>512,669</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		112,876	112,876
Reserves		<u>(24,816)</u>	<u>30,223</u>
		88,060	143,099
Non-controlling interests		<u>367,648</u>	<u>369,570</u>
Total equity		<u><u>455,708</u></u>	<u><u>512,669</u></u>

# 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.

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, the wholesale of LNG and gas pipeline connection, 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 and investment advisory service, margin financing and securities investments and financial services through the money lending business.

The Group ceased its securities brokerage and margin financing business 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) Initial application of HKFRSs

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	COVID-19 Related Rent Concession (early adopted)
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting

The adoption of the above new and revised HKFRSs in the current year had no material impact on the consolidated financial statements for the current and prior years.

(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\$109,437,000 for the year ended 31 March 2021 and as of that date, the Group had net current liabilities of HK\$221,925,000 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\$365,019,000 as at 31 March 2021; 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:

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Sales and distribution of LNG	<b>580,747</b>	1,752,781
Provision of LNG logistic services	<b>187,854</b>	68,966
Finance lease income		
– LNG finance lease arrangements	<b>1,853</b>	5,235
– LNG finance leases	<b>140</b>	7,978
Provision of financial services		
– Interest income from securities margin financing	<b>983</b>	5,025
– Services fee income	–	1,000
– Commission and brokerage income	–	74
Interest income from loan financing	<b>3,658</b>	16,379
	<b>775,235</b>	1,857,438



#### 4. LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories recognised as an expense*	516,071	1,735,361
Depreciation of property, plant and equipment	55,861	49,465
Depreciation of right-of-use assets	33,207	14,787
Amortisation of other intangible assets	954	1,308
Government subsidies**	(2,071)	(2,268)
Short-term lease expenses	3,412	4,840
Auditor's remuneration	863	750
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	99,058	105,039
Commission	31,926	19,619
Pension scheme contributions	1,634	7,755
Share-based payments	2,271	611
	<u>134,889</u>	<u>133,024</u>
Loss on disposal of items of property, plant and equipment	2,616	4,070
Foreign exchange difference, net	(6,220)	5,761
Reversal of impairment of receivables under LNG finance lease arrangements	(5,830)	(1,195)
(Reversal of impairment)/impairment of LNG finance lease receivables	(2,924)	1,605
Impairment of property, plant and equipment	14,466	21,864
Impairment of loan receivables	5,084	63,221
(Reversal of impairment)/impairment of accounts receivables arising from dealing in securities	(761)	37,834
Impairment of accounts receivables arising from LNG business	10,442	14,004
Impairment of interests in associates	2,081	5,350
Impairment of other receivables	3,056	–
Impairment of goodwill	920	–
Loss/(gain) on disposal of subsidiaries	2,649	(8,544)
Loss on deregistration of associates	<u>4,029</u>	<u>–</u>

\* This balance is included in “Cost of revenue” in the consolidated statement of profit or loss.

\*\* During the current year, the Group recognised government subsidies of HK\$216,000 in respect of the approved amount of wages subsidies under the Employment Support Scheme launched by the HKSAR Government. The remaining subsidy of HK\$1,855,000 was obtained in the PRC whereas there were no unfulfilled conditions or contingencies.

## 5. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the year. Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong in preceding year.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax – Hong Kong		
Charge for the year	–	2,400
Over-provision in prior years	(2,824)	(3)
Current tax – Elsewhere		
Charge for the year	105	39
Over-provision in prior years	(10)	(218)
Deferred tax		
Current year	(1,577)	–
Total tax (credit)/charge	<u>(4,306)</u>	<u>2,218</u>

## 6. DIVIDENDS

The directors resolved not to declare any dividend for the year ended 31 March 2021 (2020: 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 (2020: 5,643,797,090) in issue during the year.

The diluted loss per share for the years ended 31 March 2021 and 2020 is equal to the basic loss per share as there was no dilutive potential ordinary share in issue.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss attributable to ordinary equity holders of the parent company, used in the basic and diluted loss per share calculation	<u>(82,264)</u>	<u>(252,203)</u>
	<b>Number of shares</b>	
	2021	2020
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	<u>5,643,797,090</u>	<u>5,643,797,090</u>

## 8. INTERESTS IN JOINT VENTURES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Share of net assets	39,930	122,882
Loan to a joint venture	2,082	1,922
	<b>42,012</b>	<b>124,804</b>

The loan to a joint venture is unsecured, bears interest at 8% (2020: 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 equity held	Place of establishment and business	Percentage of			Principal activity
			Ownership interest	Voting power	Profit sharing	
港海能源(珠海)有限公司 (Formerly known as “港海能源(上海)有限 公司”)	Registered capital of RMB25,500,000 (2020: 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(珠海)有限公司, which is considered as a material joint venture of the Group, is accounted for using the equity method. On 21 January 2021, the joint venture conducted a capital reduction of RMB150,000,000 by reducing its paid up capital from RMB200,000,000 to RMB50,000,000. Details of the capital reduction are set forth in the Company's announcement dated 22 January 2021.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	12,400	23,343
Less: Impairment	<u>(12,400)</u>	<u>(17,001)</u>
	<u><u>–</u></u>	<u><u>6,342</u></u>

The Group entered into finance lease arrangements pursuant to which the lessees sold their vehicles to the Group and leased back the assets with lease periods ranging from 2 years to 3 years (2020: 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 2021, the effective interest rates applicable to the finance lease arrangements ranged from approximately 10.32% to 12.32% per annum (2020: 9.24% to 12.46%). The maturity profile of receivables under LNG finance lease arrangements (net of impairment) at the end of the reporting year, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Neither past due nor impaired	<u><u>–</u></u>	<u><u>6,342</u></u>

Receivables which were neither past due nor impaired related to a number of borrowers for whom there was no recent history of default. All past due receivables were impaired.

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 2021 HK\$'000	Minimum lease payments 2020 HK\$'000	Present value of minimum lease payments 2021 HK\$'000	Present value of minimum lease payments 2020 HK\$'000
Within one year	26,360	38,007	26,360	33,588
Less: Unearned finance income	—	(4,419)		
Present value of minimum lease payment receivables	26,360	33,588		
Less: Impairment	(26,360)	(27,120)	(26,360)	(27,120)
	—	6,468		
Less: Portion classified as current assets			—	(6,468)
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 of 2 years (2020: period from 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 2021, the effective interest rates applicable to the finance lease ranged from approximately 9% to 12.48% per annum (2020: 9% to 12.65%). The maturity profile of LNG finance lease receivables (net of impairment) at the end of the reporting period, is as follows:

	2021 HK\$'000	2020 HK\$'000
Neither past due nor impaired	—	6,394
Past due but not impaired:		
Within 3 months	—	74
	—	6,468

Receivables which were neither past due nor impaired related to a number of borrowers for whom there was no recent history of default. All past due receivables were impaired.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loan receivables	219,040	167,115
Less: Impairment	<u>(106,683)</u>	<u>(64,237)</u>
	<u><b>112,357</b></u>	<u><b>102,878</b></u>

Loan receivables relate to 3 (2020: 2) customers. The Group seeks to maintain strict control over its outstanding loan receivables so as to minimise credit risk. The granting of loans is subject to approval by management. Loan receivables are charged at the effective interest rates mutually agreed with contracting parties at fixed rates of 1% to 4.63% (2020: 1% 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
	<i>Notes</i>	
Accounts receivables arising from dealing in securities	<i>(a)</i>	
Cash clients	317	317
Less: Impairment	<u>(317)</u>	<u>–</u>
	–	317
Margin clients	5,568	52,757
Less: Impairment	<u>(4,173)</u>	<u>(42,613)</u>
	1,395	10,144
Hong Kong Securities Clearing Company Limited	–	277
Accounts receivables arising from LNG business	<i>(b)</i>	75,051
Less: Impairment	<u>(31,410)</u>	<u>(19,059)</u>
	29,759	55,992
Total accounts receivables	31,154	66,730
Prepayments	70,568	84,860
Deposits and other receivables	<i>(c)</i>	73,442
Loans to third parties	<i>(d)</i>	1,758
Value-added tax recoverable	<u>50,138</u>	<u>57,830</u>
	<u><b>216,660</b></u>	<u><b>284,620</b></u>

*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 2021 and 2020, the accounts receivables from margin clients were repayable on demand, interest-bearing at 9.25% (2020: 9.25%) per annum and secured by clients' securities that are listed on the Stock Exchange with a total market value of approximately HK\$2,387,000 (2020: approximately HK\$11,662,000).

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:

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Within 3 months	<b>26,857</b>	31,976
4 to 6 months	<b>2,893</b>	17,608
7 to 9 months	<b>9</b>	6,408
	<u><b>29,759</b></u>	<u>55,992</u>

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 using a credit rating on debtors based on the Group's historical credit loss experience, adjusted for (a) information that is specific to particular debtors and (b) forward-looking information based on the current and forecast general economic conditions available to the Group without undue cost or effort at the reporting date. Expected credit loss is recognised in profit or loss with the corresponding adjustment to the carrying amount of other receivables through a loss allowance account. The expected credit loss of other receivables for the year is approximately HK\$3,056,000 (2020: HK\$Nil).
- (d) The loans were unsecured, interest-bearing at 8% (2020: 8%) per annum and repayable on demand.

### 13. ACCOUNTS PAYABLES

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Accounts payables arising from dealing in securities	(a)		
Cash clients		–	1,343
Margin clients		–	156
Accounts payables arising from LNG business	(b)	<b>86,462</b>	85,232
		<b>86,462</b>	86,731

*Notes:*

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

The accounts payables amounting to approximately HK\$Nil (2020: HK\$1,499,000) 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 were 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:

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Within 3 months	<b>56,653</b>	56,848
4 to 6 months	<b>24,172</b>	26,156
Over 6 months	<b>5,637</b>	2,228
	<b>86,462</b>	85,232

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



#### 14. OTHER PAYABLES AND ACCRUALS

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Accruals and other payables		<b>84,666</b>	81,716
Contract liabilities	(a)	<b>25,320</b>	50,736
Guaranteed deposits on LNG finance leases and finance leases arrangements		<b>5,523</b>	7,971
Loans from a shareholder	(b)	<b>434,981</b>	468,781
Interest payable on loans from a shareholder	(b)	<b>37,333</b>	39,417
Loans from third parties	(c)	<b>2,129</b>	1,966
Payable for the right to acquire property, plant and equipment		<b>309,007</b>	285,285
		<b>898,959</b>	935,872
Non-current portion of loans from a shareholder		<b>(434,981)</b>	(468,781)
Current portion		<b>463,978</b>	467,091

#### Notes:

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

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	<b>31,896</b>	53,440

- (b) Balance of HK\$434,981,000 (2020: HK\$468,781,000) represented loans from a shareholder, Dr. Kan, which are bore interest at 5% per annum (2020: bore interest at 5% per annum), unsecured and repayable on demand. During the year, Dr. Kan agreed not to demand repayment of these loans until 30 June 2022 and agreed to waive the interest incurred for the year ended 31 March 2021. Balance of HK\$37,333,000 (2020: HK\$39,417,000) represents interest on the loans from a shareholder.
- (c) The balance represents loans from third parties of RMB1,800,000, equivalent to approximately HK\$2,129,000 (2020: RMB1,800,000, equivalent to approximately HK\$1,966,000) which are unsecured, bear interest at 8% (2020: 8%) per annum and are repayable on demand.

## 15. INTEREST-BEARING BANK BORROWINGS

The Group's bank loans are repayable as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	23,656	63,336
In the second to fifth year inclusive	17,742	–
After five years	<u>35,484</u>	<u>–</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>76,882</u> <u>(23,656)</u>	<u>63,336</u> <u>(63,336)</u>
	<u><u>53,226</u></u>	<u><u>–</u></u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loans		
Bank loan, secured (a)	–	10,920
Bank loan, secured (b)	–	8,736
Bank loan, secured (c)	–	21,840
Bank loan, secured (d)	–	16,380
Bank loan, secured (e)	–	5,460
Bank loan, secured (f)	23,656	–
Bank loan, secured (g)	17,742	–
Bank loan, secured (h)	<u>35,484</u>	<u>–</u>
	<u><u>76,882</u></u>	<u><u>63,336</u></u>

### 31 March 2021

	Effective interest rate (%)	Maturity	<i>HK\$'000</i>
Loan (f)	Loan prime rate* plus 2.15%	November 2021	23,656
Loan (g)	Loan prime rate* plus 1.90%	January 2024	17,742
Loan (h)	Loan prime rate* plus 1%	January 2027	<u>35,484</u>
			<u><u>76,882</u></u>

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

\* 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.

At 31 March 2021, the bank loans are supported by corporate guarantee provided by certain of the Company's wholly-owned subsidiaries, personal guarantee provided by certain non-controlling shareholders of subsidiaries, and land use rights with carrying amount of RMB33,196,000, equivalent to approximately HK\$39,264,000, and property, plant and equipment with carrying amount of RMB18,975,000, equivalent to approximately HK\$22,443,000.

At 31 March 2020, 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, land use right and LNG business license.

## 16. 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 2021.

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\$109,437,000 for the year ended 31 March 2021 and as of that date, the Group had net current liabilities of HK\$221,925,000 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.

## 17. EVENTS AFTER THE REPORTING PERIOD

- (a) On 2 February 2021, the Group entered into a sale and purchase agreement with an independent third party for the disposal of 25% of issued share capital of 舟山深能燃氣發展有限公司, an associate, for cash consideration of RMB2,500,000 (equivalent to approximately HK\$2,867,000). The carrying amount of the Group's interest in 舟山深能燃氣發展有限公司 was zero at that date. The disposal of associate was completed on 2 April 2021.
- (b) On 7 April 2021, 100,000,000 share options were proposed to grant to Dr. Kan with an exercise price of HK\$0.5 per share. An extraordinary general meeting will be held on 16 July 2021 to approve, confirm and ratify the grant. Further details are set out in the Company's announcement dated 8 April 2021 and the circular dated 28 June 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Outlook

While the Pandemic spread globally in 2020, countries around the world once again placed their hopes for economic recovery in the post-epidemic era on stepping up development efforts in green and low-carbon economies. Natural gas is the best choice for the transition to renewable energy. With the goal of carbon neutrality and peaking carbon dioxide emissions, the position of natural gas in China's energy system is undergoing profound changes.

Domestic natural gas consumption was only 193.2 billion cubic meters in 2015 but reached 323.8 billion cubic meters in 2020, a growth rate exceeding 67.60%. Under the co-catalysis of policy benefits and market demand, domestic natural gas consumption will enter a medium-to-high-speed growth stage during the "14th Five-Year Plan" period, and it is expected to achieve 450 billion cubic meters in 2025.

In 2020, the Group optimized its coverage of the whole LNG industrial chain. In the upstream of the industry, the Group has been actively deploying LNG receiving terminals in the Yangtze River (inner river) together with tank container storage terminals so as to make advancement in the international spot purchase business. In the midstream of the industry, the Group has built its own logistics distribution system, and intended to establish a joint venture company with a large state owned enterprise to fully undertake the distribution requirement of its few receiving terminals and nearly 1,000 refilling stations. In the downstream of the industry, in response to the 14th Five-Year Plan and the rural revitalization strategy of China, the Group has been actively building clean energy supply centers, and plans to invest in the construction of 20 LNG clean energy supply centers in Hubei, Hunan, Anhui and Jiangxi within three years, covering 6 million households.

With the in-depth reform of the domestic natural gas market and the implementation of the national rural revitalization strategy, the Group will leverage on the domestic natural gas policy, continue to penetrate into the sub-sectors of natural gas consumption, take the lead in occupying the high ground in the market through differentiated competition, and develop its coverage of the whole LNG industry chain and the construction of clean energy supply center projects. The natural gas business of the Group is expected to maintain healthy growth in 2021, and to generate favorable profit returns in the next three years.

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**

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

As of 31 March 2021, the Group had 69 enduser customers projects in operation (including 67 industrial point-to-point supply terminals and 2 refilling stations), recorded a LNG retail volume of 38,950 tons. The revenue of the Group related to enduser customers decreased from approximately HK\$336,725,000 for the year ended 31 March 2020 to approximately HK\$178,248,000 for the year ended 31 March 2021, representing a negative growth of 47.1% as compared with last year.

The primary reason for the negative growth was attributable to the re-integration and optimization of the Group' domestic business during the year, in which strategic re-organization was conducted in regions including Northern China, Central and Southern China, Eastern China and Northwest China, and shifting its main focus to investment and construction of large projects. After the further adjustment made during the year, the Group has gradually shifted to the development of large-scale projects with greater market scale and efficiency.

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

For the year ended 31 March 2021, the Group recorded a LNG wholesale volume of 98,080 tons, which was mainly supplied by LNG trucks. The Group recorded revenues related to the wholesale of LNG decreased from approximately HK\$1,416,056,000 for the year ended 31 March 2020 to approximately HK\$399,753,000 for the year ended 31 March 2021, representing a negative growth of 71.8% as compared with last year.

During the year, the Group adjusted its LNG wholesale business on focusing on the transactions with certain gross profit. As a result, the gross profit was increased compared to last year, when the revenue was decreased compared to last year.

#### ***Gas pipeline connection (township residential user)***

For the year ended 31 March 2021, leveraged on the construction of clean energy supply centers, the Group has obtained township LNG urban gas franchises in 54 towns including Guangshui of Hubei, Jingdezhen of Jiangxi, Lu'an of Anhui and other regions, among which 2 township pipeline projects were preliminary completed the project constructions, providing natural gas services to 1,023 households and collecting pipeline connection fees of approximately HK\$2,746,000 from residents.

### ***Distribution of LNG (logistic)***

For the year ended 31 March 2021, the Group's fleet comprised 235 LNG refilling trucks, 44 tail-lift trucks and 281 refilling tractor truck. The LNG transmission volume of the Group's LNG distribution fleet reached 251,212,115 ton-kilometres, recorded revenues related to the distribution of LNG increased from approximately HK\$68,966,000 for the year ended 31 March 2020 to approximately HK\$187,854,000 for the year ended 31 March 2021, representing a growth of 172.4% as compared with last year.

The primary reason for the growth was attributable to the adjustment in the direction of the Group's logistic business and the commencement of its pilot market operation, which resulted in a significant improvement in business revenue.

### **Sizable infrastructure projects**

As at the year ended 31 March 2021, the Group had 16 sizable terminal projects under construction, which are: Hubei Huanggang South East Hubei Reserve Peak Shaving Center and Gasification Reverse Transmission Project (湖北黃岡鄂東南儲備調峰中心及氣化反輸項目), Hubei Guangshui Clean Energy Supply Center and Gasification and Township Project (湖北廣水清潔能源供應中心及氣化鄉鎮項目), Jiangxi Jingdezhen Clean Energy Supply Center and Gasification and Township Project (江西景德鎮清潔能源供應中心及氣化鄉鎮項目), Hunan Shaoyang Clean Energy Supply Center and Gasification and Township Project (湖南邵陽清潔能源供應中心及氣化鄉鎮項目), Anhui Lu'an Fenglukou Clean Energy Supply Center and Gasification and Township Project (安徽六安分路口清潔能源供應中心及氣化鄉鎮項目), Anhui Lu'an Guzhen Clean Energy Comprehensive Utilisation Project (安徽六安固鎮清潔能源綜合利用項目), Shaanxi Fuping Clean Energy Logistics and Trading Headquarters (陝西富平清潔能源物質基地), Jiangxi Guangchang County Clean Energy Comprehensive Utilisation Project (江西廣昌縣清潔能源綜合利用項目), Hebei Province Gangzhong Gaoyi Reserve Project (河北省港眾高邑儲備庫項目), Hebei Gaoyi Haoyan Pipeline Network Project and Industrial Park Pipe Network Project (河北高邑鄆炎管網項目及工業園區管網項目), Handan Fuxing LNG Peak Shaving Reserve Project (邯鄲復興區LNG調峰儲備站項目), Hebei Chengde LNG Peak Shaving Reserve and Industrial Comprehensive LNG Utilisation Project (河北承德LNG調峰儲備與產業綜合利用項目), Hubei Guangshui Yangzhai Oil and Gas Station Project (湖北廣水楊寨油氣合建站項目), Hubei Guangshui Changling Oil and Gas Station Project (湖北廣水長嶺油氣合建站項目), Hunan Shaoyang Oil, Gas, Hydrogen and Electricity Station Project (湖南邵陽油氣氫電合建站項目) and Jiangxi Jingdezhen 206 National Highway Oil and Gas Station Project (江西景德鎮206國道油氣合建站項目).

Among them, Hubei Huanggang South East Hubei Reserve Peak Shaving Center and Gasification Reverse Transmission Project, Hubei Guangshui Clean Energy Supply Center and Gasification and Township Project, Jiangxi Jingdezhen Clean Energy Supply Center and Gasification and Township Project, Anhui Lu'an Fenglukou Clean Energy Supply Center and Gasification and Township Project and Anhui Lu'an Guzhen Clean Energy Comprehensive Utilisation Project have been completed and will enter into production and operation in the second half of 2021.

## **Finance leasing**

During the year ended 31 March 2021, the Group had no new projects of finance leasing.

For the year ended 2021, the Group recorded approximately HK\$5,830,000 of reversal of impairment of receivables under LNG finance lease arrangements and approximately HK\$2,924,000 of reversal of impairment of LNG finance lease receivables.

As of 31 March 2021, both receivables under LNG finance lease arrangements and LNG finance lease receivables were none, as some of the finance leases were completed or fully impaired as at 31 March 2021.

## **Trading of securities**

The Group conducts its trading of Hong Kong securities business through Key Fit Group Limited. During the year ended 31 March 2021, the Group did not carry out any securities trading.

## **Securities brokerage and investment advisory service**

The Group conducts its securities brokerage business and investment advisory service through China Hong Kong Capital Asset Management Company 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 and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (the “**SFO**”).

During the year, CHKCAML ceased its securities brokerage services and the license of Type 1 license (Dealing in securities) was applying to return to SFC and waiting for SFC’s formal approval. During the year ended 31 March 2021, the Group recorded interest income from securities margin financing of approximately HK\$983,000.

## **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 2021, all the loans granted under money lending business of the Group were secured loans and were funded by internal resources. The Group recorded an impairment loss on loan receivables of approximately HK\$5,084,000 (2020: impairment loss of approximately HK\$63,221,000).



## FINANCIAL REVIEW

This year is full of opportunities and challenges. The gross turnover and loss attributable to the shareholders for the year ended 31 March 2021 are approximately HK\$775,235,000 and HK\$82,264,000 (2020: approximately HK\$1,857,438,000 and HK\$252,203,000) respectively, representing a decrease of 58.3% and decrease of 67.4% respectively as compared to the year ended 31 March 2020. Loss per share decreased by 67.3% to HK\$1.46 cents.

### Revenue

Revenue decreased by approximately 58.3% from approximately HK\$1,857,438,000 for the year ended 31 March 2020 to approximately HK\$775,235,000 for the year ended 31 March 2021.

Revenue derived from sales and distribution of LNG (including point-to-point supply of LNG and wholesale of LNG) decreased by approximately 66.9% from approximately HK\$1,752,781,000 for the year ended 31 March 2020 to approximately HK\$580,747,000 for the year ended 31 March 2021, mainly due to i) the Group has gradually shifted to the development of large-scale projects with greater market scale and efficiency; and ii) during the year, the Group adjusted its LNG wholesale business on focusing on the transactions with certain gross profit.

Revenue derived from providing the logistic service for distribution of LNG (logistic) increased by 172.4% from approximately HK\$68,966,000 for the year ended 31 March 2020 to approximately HK\$187,854,000 for the year ended 31 March 2021, mainly due to the adjustment in the direction of the Group's logistic business and the commencement of its pilot market operation, which resulted in a significant improvement in logistic business revenue.

Revenue derived from provision of finance leasing services for LNG vehicles and equipment decreased by approximately 84.9% from approximately HK\$13,213,000 for the year ended 31 March 2020 to approximately HK\$1,993,000 for the year ended 31 March 2021, mainly due to no new finance was granted and some of the leases had completed during the year.

No revenue was derived from trading of securities for the year ended 31 March 2021 (2020: Nil).

Revenue derived from provision of securities brokerage, bond placing, margin financing and securities investment business decreased by 83.9% from approximately HK\$6,099,000 for the year ended 31 March 2020 to approximately HK\$983,000 for year ended 31 March 2021, as the Group ceased its securities brokerage business during the year.

Revenue derived from financial services through provision of money lending business decreased by 77.7% from approximately HK\$16,379,000 for the year ended 31 March 2020 to approximately HK\$3,658,000 for the year ended 31 March 2021, mainly due to the Group was reduced some client's interest rate.



### **Other income and other gains and losses**

Other income and other gains and losses, net gain decreased by 46.8% from net gain of approximately HK\$1,009,000 for the year ended 31 March 2020 to net gain of approximately HK\$537,000 for the year ended 31 March 2021, mainly due the loss on deregistration of associates.

### **Selling and distribution expenses**

Selling and distribution expenses decreased by approximately 43.4% from approximately HK\$19,470,000 for the year ended 31 March 2020 to approximately HK\$11,026,000 for the year ended 31 March 2021, mainly due to the decrease of revenue of LNG wholesale and retail business for the year ended 31 March 2021 compared with last year.

### **Administrative expenses**

Administrative expenses was slightly increased from approximately HK\$116,682,000 for the year ended 31 March 2020 to approximately HK\$117,158,000 for the year ended 31 March 2021.

### **Finance costs**

Finance costs decreased by 76.1% from approximately HK\$32,693,000 for the year ended 31 March 2020 to approximately HK\$7,798,000 for the year ended 31 March 2021, the reason was that the shareholder, Dr. Kan Che Kin Billy Albert (“Dr. Kan”), waived the interest incurred from 1 April 2020 to 31 March 2021 (1 year), of the outstanding loan owed to him by the Group. The total amount of interest waived by Dr. Kan was approximately HK\$24,075,000 for the year.

### **Income tax credit/expense**

Income tax credit was approximately HK\$4,306,000 for the year ended 31 March 2021 (2020: income tax expenses of approximately HK\$2,218,000). The tax credit recorded this year was mainly due to overprovision in prior years of some subsidiaries in Hong Kong.

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

The Group had total cash and bank balances of approximately HK\$68,420,000 as at 31 March 2021 (2020: approximately HK\$50,031,000). As at 31 March 2021, bank and other borrowings of the Group amounted to approximately HK\$593,702,000 (2020: approximately HK\$613,600,000), which include bank borrowings of approximately HK\$76,882,000 (2020: approximately HK\$63,336,000), loans from a shareholder of approximately HK\$434,981,000 (2020: approximately HK\$468,781,000), loans from third parties of approximately HK\$2,129,000 (2020: approximately HK\$1,966,000) and lease liabilities of approximately HK\$79,710,000 (2020: HK\$79,517,000). The bank borrowings bear interest rate at range of Loan Prime Rate\* + 1% to 2.15%. The Group's gearing ratio is calculated as net debt divided by total equity was 236% as at 31 March 2021 (2020: 218%). Net debt is calculated as bank and other borrowings, accounts payables, other payables and accruals, lease liabilities and loans from a shareholder less bank balances and cash. Net debts were approximately HK\$1,073,593,000 as at 31 March 2021 (2020: Net debts of approximately HK\$1,115,425,000). The Group recorded total current assets value of approximately HK\$406,350,000 as at 31 March 2021 (2020: approximately HK\$462,514,000) and total current liabilities value of approximately HK\$628,275,000 as at 31 March 2021 (2020: approximately HK\$654,142,000). The current ratio of the Group, calculated by dividing the total current assets value by the total current liabilities value, was approximately 0.65 as at 31 March 2021 (2020: approximately 0.71). 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 shareholder.

\* 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.

## **DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: 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 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 years ended 31 March 2021 and 2020, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency 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 DISPOSALS OF SUBSIDIARIES**

- (a) On 8 December 2020, CLNG Natural Gas Co., Ltd.\* (港能天然氣有限責任公司), an indirect wholly-owned subsidiary of the Company and Hebei Luye Hengtian Natural Gas Sales Co., Ltd.\* (河北綠野恆天天然氣銷售有限公司) ("Hebei Luye Hengtian") entered into a sale and purchase agreement, pursuant to which the subsidiary has conditionally agreed to sell and Hebei Luye Hengtian has conditionally agreed to purchase 70% equity interests in Hebei Ganglai Natural Gas Co., Ltd.\* (河北港涿天然氣有限公司) ("Hebei Ganglai") at a total consideration of RMB3,000,000.

After the completion of the disposal of the 70% interest in Hebei Ganglai on 14 December 2020, Hebei Ganglai ceased to be a subsidiary of the Group.

- (b) On 1 July 2020, CLNG Natural Gas Co., Ltd.\* (港能天然氣有限責任公司), an indirect wholly-owned subsidiary of the Company and Xi'an Sisheng Energy Technology Co., Ltd.\* (西安思晟能源技術有限公司) ("Xi'an Sisheng") entered into a sale and purchase agreement, pursuant to which the subsidiary has conditionally agreed to sell and Xi'an Sisheng has conditionally agreed to purchase 51% equity interests in Shaanxi Gangneng Natural Gas Co., Ltd.\* (陝西港能天然氣有限公司) ("Shaanxi Gangneng") at a total consideration of RMB150,000.

After the completion of the disposal of the 51% interest in Shaanxi Gangneng on 6 August 2020, Shaanxi Gangneng ceased to be a subsidiary of the Group.

## **CAPITAL COMMITMENT**

As at 31 March 2021, the total capital commitments by the Group amounted to approximately HK\$359,768,000 (2020: approximately HK\$317,731,000), 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 2021 (2020: 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 2021, the Group had a total of 779 employees (2020: 878 employees), of which 76 were administrative staff and operating staff; 467 were LNG truck drivers; 109 were technical staff; 90 were managerial staff and the remaining 37 were marketing staff. 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 2021.

## **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 Group's consolidated financial statements for the year ended 31 March 2021 have been reviewed by the Audit Committee and audited by the Company's external auditor, PKF Hong Kong Limited. 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 Dr. Lam Lee G. were unable to attend the general meetings held on 27 August 2020 and three independent non-executive Directors, Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee were unable to attend the general meetings held on 27 August 2020 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](http://www.hkexnews.hk)). The annual report of the Company for the year ended 31 March 2021 will be dispatched to shareholders of the Company and available on the above websites in due course.

## APPRECIATION

I would like to take this opportunity to thank all the customers, shareholders and business partners of the Group for their trust and support to the Group, and my sincere gratitude to all employees for their hard work and dedication.

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

Hong Kong, 29 June 2021

*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.*

*This announcement contains operating statistics for the Year and forward-looking statements relating to the business outlook, forecast business plans and growth strategies of the Group (collectively “Information Statements”). The Information Statements are unaudited and are made based on the Group’s business plans, internal information, certain expectations, assumptions and premises, which may be subjective or beyond our control. They do not constitute warranties of future performance of the Group and subject to factors included but not limited to general industry and economic conditions and changes in government policies. With these, the Information Statements in this announcement should not be regarded as representations by the Board or the Company that they will be achieved, and investors should not place undue reliance on such Information Statements.*

*\* For identification purposes only*