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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of China LNG Group Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2022 (the “**Current Period**”) together with the comparative figures for the corresponding period in 2021. The unaudited condensed consolidated financial information for the six months ended 30 September 2022 has been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

	Notes	For the six months ended 30 September	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
REVENUE	4	128,606	299,038
Cost of sales		<u>(137,787)</u>	<u>(315,241)</u>
Gross loss		(9,181)	(16,203)
Other income and gains and other losses	5	598	3,711
Selling and distribution expenses		(4,717)	(6,714)
Administrative expenses		(54,010)	(56,962)
Reversal of impairment/(impairment) of account receivables		3,771	(6,259)
Finance costs	6	(16,801)	(14,294)
Share of results of joint ventures and associates		<u>(1,550)</u>	<u>(1,274)</u>
LOSS BEFORE TAX	7	(81,890)	(97,995)
Income tax credit	8	<u>1,286</u>	<u>–</u>
LOSS FOR THE PERIOD		<u>(80,604)</u>	<u>(97,995)</u>
Attributable to:			
Equity shareholders of the Company		(72,405)	(91,580)
Non-controlling interests		<u>(8,199)</u>	<u>(6,415)</u>
		<u>(80,604)</u>	<u>(97,995)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
– Basic		<u>HK\$(1.28) cents</u>	<u>HK\$(1.62) cents</u>
– Diluted		<u>HK\$(1.28) cents</u>	<u>HK\$(1.62) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 September 2022*

	For the six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(80,604)	(97,995)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations of subsidiaries	(63,928)	9,072
Share of other comprehensive income of joint ventures and associates	6,118	717
Release of exchange reserve upon disposal of a subsidiary	—	(820)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(57,810)	8,969
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(138,414)	(89,026)
Attributable to:		
Owners of the Company	(132,349)	(88,557)
Non-controlling interests	(6,065)	(469)
	(138,414)	(89,026)

**CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

As at 30 September 2022

	30 September 2022 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	31 March 2022 (Audited) <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	426,919	506,771
Other intangible assets	4,414	5,416
Right-of-use assets	<i>11</i> 116,426	135,820
Interests in joint ventures	68,026	77,746
Interests in associates	–	222
Deposits for acquisition of plant and equipment	115,386	124,989
Deposits for acquisition of land use rights	44,765	49,186
Other assets	322,330	322,069
Statutory deposits	200	200
	<hr/>	<hr/>
Total non-current assets	1,098,466	1,222,419
CURRENT ASSETS		
Inventories	11,116	9,958
Receivables under LNG finance lease arrangements	2,676	2,994
LNG finance lease receivables	6,457	7,223
Loan and reimbursement receivables	<i>12</i> 113,845	118,302
Accounts and other receivables, prepayments and deposits	<i>13</i> 121,388	198,229
Financial assets at fair value through profit or loss	6,724	3
Bank balances held on behalf of clients	1,081	995
Cash and cash equivalents	36,318	26,601
	<hr/>	<hr/>
Total current assets	299,605	364,305

		30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Accounts payable	14	106,699	147,156
Other payables and accruals	15	460,917	471,873
Interest-bearing bank borrowings	16	49,947	49,706
Lease liabilities	17	73,067	77,133
Tax payable		5,997	1,026
		<hr/>	<hr/>
Total current liabilities		696,627	746,894
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(397,022)	(382,589)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		701,444	839,830
		<hr/> <hr/>	<hr/> <hr/>
NON-CURRENT LIABILITIES			
Loans from a shareholder	15	465,272	466,930
Interest-bearing bank borrowings	16	39,698	46,452
Lease liabilities	17	2,106	2,626
Deferred tax liabilities		2,247	3,208
		<hr/>	<hr/>
Total non-current liabilities		509,323	519,216
		<hr/> <hr/>	<hr/> <hr/>
NET ASSETS		192,121	320,614
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	18	112,876	112,876
Reserves		(15,390)	111,005
		<hr/>	<hr/>
		97,486	223,881
Non-controlling interests		94,635	96,733
		<hr/>	<hr/>
Total equity		192,121	320,614
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATION INFORMATION

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

The Company is an investment holding company, the Group was principally engaged in the business of: (i) the sales and distribution of liquefied nature gas (“**LNG**”) in the People’s Republic of China (the “**PRC**”) including the point-to-point supply of LNG (retail), the wholesale of LNG (trade), the distribution of LNG (logistics) and the LNG pipeline network connection; and (ii) the financial services business including the provision of finance lease services in the PRC for LNG vehicles and equipments as approved by the Chinese Ministry of Foreign Trade and Economic Cooperation, conduct Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance in the provision of securities brokerage, discretionary investment management and fund management services in the PRC and Hong Kong, and the provision of money lending services in Hong Kong.

The Group has ceased the provision of the security trading and securities brokerage business and is in the progress of depositing the unclaimed clients’ assets to the High Court during the period.

2. BASIS OF PREPARATION

Statement of compliance

The unaudited interim condensed consolidated financial information of the Company and its subsidiaries for the six months ended 30 September 2022 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants and applicable disclosures required by the Rules governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2022. The unaudited interim condensed consolidated financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s unaudited interim condensed consolidated financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

Interest Rate Benchmark Reform – Phase 2

The nature and the impact of the revised HKFRSs are described below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2022 (Unaudited) HK\$’000	2021 (Unaudited) HK\$’000
Sales of LNG	87,281	235,673
Provision of LNG logistics services	39,862	61,449
Finance lease income	–	318
Interest income from loan financing	1,463	1,598
	128,606	299,038

5. OTHER INCOME AND GAINS AND OTHER LOSSES

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

	For the six months ended 30 September	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Bank interest income	23	77
(Loss)/gain on disposal of plant and equipment	(1,066)	2,574
Loss on deregistration of a subsidiary	(491)	–
Gain on disposal of subsidiaries	–	2,156
Gain on disposal of a joint venture	–	1,808
Loss on disposal of an associate	–	(3,007)
Loss on disposal of financial assets at fair value through profit or loss	–	(1,118)
Fair value loss on financial assets at fair value through profit or loss	(520)	–
Exchange gain/(loss)	2,158	(926)
Others	494	2,147
	<u>598</u>	<u>3,711</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 September	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on loans from a shareholder	11,148	11,111
Interest on bank loans and other borrowings	3,620	571
Interest on lease liabilities	2,033	2,612
	<u>16,801</u>	<u>14,294</u>

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	For the six months ended 30 September	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold	137,787	315,241
Deprecation of right-of-use assets	6,829	15,666
Amortisation of other intangible assets	2,624	2,484
Depreciation of property, plant and equipment	16,222	19,945
Staff costs, including directors' emoluments	34,706	56,499
	<u>198,178</u>	<u>410,835</u>

8. INCOME TAX

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

	For the six months ended 30 September	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current tax – Hong Kong		
Over-provision in prior years	(1,232)	–
Current tax – PRC		
Over-provision in prior years	(54)	–
	<u>(1,286)</u>	<u>–</u>
Total tax credit for the period	<u>(1,286)</u>	<u>–</u>

9. DIVIDEND

The board of directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

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

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 5,643,797,090 (six months ended 30 September 2021: 5,643,797,090) in issue during the period.

The diluted loss per share for the six months ended 30 September 2022 and 2021 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:

	For the six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation	<u>(72,405)</u>	<u>(91,580)</u>
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	<u>5,643,797,090</u>	<u>5,643,797,090</u>

11. RIGHT-OF-USE ASSETS

	30 September	31 March
	2022	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Land use rights	97,772	112,377
Properties	7,988	4,468
Containers	<u>10,666</u>	<u>18,975</u>
	<u>116,426</u>	<u>135,820</u>

As at 30 September 2022, land use rights with the carrying amount of approximately HK\$72,817,000 (31 March 2022: HK\$39,845,000) were pledged to banks to secure banking facilities granted to the Group.

12. LOAN AND REIMBURSEMENT RECEIVABLES

	30 September	31 March
	2022	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Loan receivables	143,837	147,945
Less: Allowance for credit losses	<u>(143,837)</u>	<u>(143,488)</u>
	–	4,457
Reimbursement receivables	<u>113,845</u>	<u>113,845</u>
	<u>113,845</u>	<u>118,302</u>

The Group's loans receivable as at 30 September 2022 were loans advanced to two non-controlling shareholders of Key Fit Group Limited (“**Key Fit**”), a 60.42%-owned subsidiary of the Company, the loans were secured by the pledge of certain equity interest of Key Fit and the Company owned by the borrowers. The loans receivable bear interest at rates ranging from 12% to 15% per annum at the time of granting and respective extension, the borrowers shall pay to the Group an interest at the rate of 20% per annum in the event of default.

Included in the loans receivable with the aggregate amount of HK\$143,837,000 (31 March 2022: HK\$147,945,000) were defaulting in 2018 after the passing of the final maturity dates of respective loan, since default of the borrowers, the Group initiated to reduce the interest rates to 1% per annum. In the opinion of the Directors, the reduction of interest rates is to entice the borrower to be able to find ways of repaying the outstanding money and not debt-laden the borrower by mounting heavy interest charges in a very difficult business environment.

The substantial shareholder of the Company, Dr. Kan Che Kin, Billy Albert (“**Dr. Kan**”), has provided personal undertaking to purchase HK\$113,539,000 (31 March 2022: 118,302,000) among the loans receivable as mentioned above, Dr. Kan will reimburse the Group for the loss that might incur if the borrower fails to pay. The Group recognizes reimbursement receivable of HK\$113,845,000 (31 March 2022: HK\$113,845,000) as it is virtually certain that Dr. Kan will reimburse the Group for the loss that might incur if the borrower fails to pay. The Group holds collateral over the balances of the loans receivable of HK\$30,298,000 (31 March 2022: HK\$29,643,000).

The Group seeks to maintain strict control over its outstanding loans receivable so as to minimise credit risk. The granting of loans is subject to approval by management, whilst overdue balances are reviewed regularly for recoverability.

13. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

		30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Accounts receivable on dealing in securities	<i>(a)</i>		
Cash clients		317	317
Less: Allowance for credit losses		(317)	(317)
Margin clients		3,787	5,568
Less: Allowance for credit losses		(3,787)	(4,173)
		<u> –</u>	<u> 1,395</u>
Accounts receivable on LNG businesses	<i>(b)</i>	35,122	48,222
Less: Allowance for credit losses		(25,517)	(29,361)
		<u> 9,605</u>	<u> 18,861</u>
Deposits and other receivables		83,923	89,796
Less: Allowance for credit losses		(7,438)	(10,799)
		<u> 76,485</u>	<u> 78,997</u>
Loan to a third party	<i>(c)</i>	1,939	2,169
Amount due from a joint venture		–	2,222
Prepayments		33,359	43,562
Value-added tax recoverable		–	51,023
		<u> 121,388</u>	<u> 198,229</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 trade date.
- (b) The Group's trading terms with its LNG customers are mainly on credit, except for new customers, where payment in advance may be required. The credit period is generally one month, extending up to three months or more for certain customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

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

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Within 3 months	8,962	13,779
4 to 6 months	511	5,009
Over 6 months	132	73
	9,605	18,861

- (c) The loans were unsecured, interest-bearing at 8% (31 March 2022: 8%) per annum and repayable on demand.

14. ACCOUNTS PAYABLES

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Accounts payable on dealing in securities		
Cash clients	1,009	927
Margin clients	73	75
Accounts payable on LNG business	105,617	146,154
	106,699	147,156

The Group ceased to carry on the security trading business and is in process of depositing unclaimed client assets into the High Court during the period. An ageing analysis of the accounts payable on LNG business as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Within 3 months	29,826	92,293
4 to 6 months	20,947	21,109
Over 6 months	54,844	32,752
	<u>105,617</u>	<u>146,154</u>

15. OTHER PAYABLES AND ACCRUALS

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Accruals and other payables	60,916	89,803
Contract liabilities	16,552	21,457
Loans from a shareholder	465,272	466,930
Interest payable on loans from a shareholder	61,380	38,544
Payable for the right to acquire property, plant and equipment	322,069	322,069
	<u>926,189</u>	<u>938,803</u>
Portion classified as non-current liabilities	<u>(465,272)</u>	<u>(466,930)</u>
Portion classified as current liabilities	<u>460,917</u>	<u>471,873</u>

The loans from a shareholder bearing an interest of 5% to 8% per annum (31 March 2022: 5% to 8%), unsecured and repayable on demand, Dr. Kan agreed not to demand repayment of the loans until 31 December 2023.

16. INTEREST BEARING BANK BORROWINGS

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Within one year	49,947	49,706
In the second to fifth year inclusive	26,759	29,932
After five years	12,939	16,520
	<u>89,645</u>	<u>96,158</u>
Portion classified as current liabilities	<u>(49,947)</u>	<u>(49,706)</u>
Portion classified as non-current liabilities	<u>39,698</u>	<u>46,452</u>

17. LEASE LIABILITIES

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

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Within one year	73,668	78,011	73,067	77,133
More than one year	2,131	2,950	2,106	2,626
Total minimum finance lease payments	75,799	80,961	75,173	79,759
Future finance charges	(626)	(1,202)		
Present value of lease obligations	75,173	79,759		

18. ISSUED CAPITAL

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Authorised: 20,000,000,000 ordinary shares of HK\$0.02 each	400,000	400,000
Issued and fully paid: 5,643,797,090 ordinary shares of HK\$0.02 each	112,876	112,876

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

	Number of shares in issues	Share Capital HK'000	Share premium HK'000	Total HK'000
At 1 April 2021, 31 March 2022, 1 April 2022 and 30 September 2022	5,643,797,090	112,876	434,385	547,261

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Energy prices have hit record highs in recent years, weighing on consumers' purchasing power. The initial rise in energy prices was mainly driven by the recovery in energy demand following the easing of lockdown measures after the first wave of the pandemic, while the subsequent price increases were significantly affected by supply-side issues aggravated by the dependence on Russia oil and gas amidst its war with Ukraine. The rise in natural gas prices in Europe was particularly pronounced, reflecting the natural gas market's vulnerability to supply and demand uncertainty, while geopolitical conflicts also cast a cloud over global energy supplies. High energy prices and supply constraints have contributed to higher-than-expected and broader inflation, while interest rate hikes in major economies to curb soaring prices have curtailed business activities. China's "dynamic zero" epidemic prevention measures have put pressure on the industrial cycle, and the tightening of China's real estate market has also added to the downward pressure on the economy. Due to the above factors, the Group's revenue and profitability for the current period had been adversely affected.

Climate change in recent decades, with rainfall and high temperature exceeding historical extremes, has heightened the urgency of promoting clean energy efficiency globally, all sectors of the community have drastically increased their focus on sustainable development of Environmental, Social and Governance ("ESG") and renewable clean energy sources. In China, the central government introduced carbon quotas and carbon credits in business operations to reduce carbon footprints and environmental impacts. At the same time, a national carbon emissions trading system was launched in early 2021 to allow the relevant entities involved to participate in the allocation of emission quotas. The above measures are beneficial to low-carbon emission industries and enterprises.

Against the backdrop of fiscal policies that prioritize health in many countries, investment in climate policy remains a necessary condition for reducing the risk of catastrophic climate change. In the face of China's real estate crisis, household investment and resources are shifting from real estate assets to sustainable financial products, such as various asset management products with clean energy as the underlying asset, in order to conform to China's future industrial development direction. It is expected that the use of clean energy will become more widespread and the market demand will be a lot keener, leading to strong growth in the ESG financial market.

Domestic macroeconomic adjustment and changes in industrial structure in the PRC are expected to promote rapid recovery of its industrial and commercial production and business activities, resulting in explosive demand growth. In addition to serving LNG customers across the country, the Group is also committed to developing clean energy comprehensive asset management financial products to meet the different needs of investors and to enhance the Group's social value and profitability.

BUSINESS REVIEW

For the period ended 30 September 2022 and at present, the Group has been principally engaged in (i) sales and distribution of LNG in the PRC; and (ii) financial services business in the PRC and Hong Kong.

Sales and Distribution of LNG

Wholesale of LNG (trade)

Despite the gradual decline in LNG prices, they are still times higher than the same period in previous years. The high LNG prices and the disruptions caused by regional pandemic outbreaks continued to undermine the development of midstream LNG wholesale business, leading to a significant decrease in the Group's profitable block purchase orders during the period. For the six months period ended 30 September 2022, the Group recorded a LNG wholesale volume of 3,889 tons, the income generated from the wholesale of LNG (trade) amounted approximately HK\$28,671,000.

Point-to-point supply of LNG (retail)

For the six months period ended 30 September 2022, the Group recorded a LNG retail volume of 6,240 tons, the income generated from the point-to-point supply of LNG (retail) amounted approximately HK\$58,610,000.

Distribution of LNG (logistics)

For the six months period ended 30 September 2022, the distribution delivery fleets of the Group transmitted a total of 75,021,692 ton-kilometers, among which 72.8% served for external customers, the income generated from the distribution of LNG (logistics) amounted approximately HK\$39,862,000.

LNG Pipeline Network

The Group carried out LNG service line engineering projects and built pressure pipelines, gate and regulator stations to integrate retail to the end-user market, increasing downstream users every year through the progressive completion of its LNG processing and transmission ancillary facilities projects. As of the period end date, the connected residential users of the Group increased to 2,344 households, income generated from the supply of LNG and relevant value-added services to residential users has been included in the income from the point-to-point supply of LNG (retail) for the Current Period.

In September 2022, following the close-to-end of the infrastructure project of Hubei Huanggang South East Hubei Reserve Peak Shaving Center and Gasification Reverse Transmission, the Group is basically in a position to soon commence supplying natural gas through regasification of LNG into the Hubei provincial pipeline networks, contributing to ensure the stable supply of natural gas for urban heating in the Hubei province in this winter. The project is scheduled to commence its trial operation at the beginning of December 2022.

As of the date of this announcement, the Group is formalizing a business partnership arrangement (whereas the Group will provide the infrastructure, equipment and clientele, whilst the partner will provide the LNG supply) with one of the Group's strategic business partner to supply most to all of the LNG needs of the Group's completed downstream infrastructure projects, on preferential basis and discounted merchant prices up to around 15% over prevailing market prices.

Investment in Downstream LNG Assets

During the current interim period, the Group continued to invest in infrastructure construction projects to realize the commercial value of the LNG assets and comes to the forefront of the LNG promotion programme in the rural countryside.

Financial Services Business

The financial services business of the Group during the period under review are including: (i) the provision of finance lease services typically for LNG vehicles and equipments that have been approved by the Chinese Ministry of Foreign Trade and Economic Cooperation; (ii) the provision of money lending services in Hong Kong; and (iii) the provision of discretionary investment and fund management services in the PRC and Hong Kong.

The management of the Company has remained strategically prudent about making additional investment in money lending and finance leasing business in view of the slow down economic outlook. On 10 August 2022, the Group released the entire collateral under a deed of share charge pursuant to the acknowledgement and assignment agreement entered into between a debtor and the money lending company, realized HK\$5,572,000 to offset the outstanding loan amount due from the debtor. The management of the Company will look for high quality borrowers to minimise the risk of default.

On 30 August 2022, an order has been granted from the High Court to leave to pay the unclaimed client assets into the High Court, the Group has ceased the dealing in securities business and is in the process of depositing unclaimed client assets to the High Court.

During the reporting period, the Group has established a subsidiary namely 港成資本(深圳)有限公司, for identification purpose, Gang Cheng Capital (Shenzhen) Company Limited, in Shenzhen Qianhai economic zone with a domestic financial institution to be its partner to develop clean energy comprehensive assets management financial products to meet the needs of local and overseas investors.

PROSPECTS AND OUTLOOK

The global LNG industry continues to rebound from the pandemic with ongoing changes in business models brought about by increasing adoption of LNG. These changes have manifested challenges for traditional energy industry, therefore opening the door for significant new opportunities for existing clean energies and participants.

LNG has proven to be by far the best-performing energy choice in terms of relative growth in the energy industry, the sector will continue to see strong growth. Major energy corporations in China have all launched their LNG plans in global market, the latest news reported that Sinopec has in place a 27 years LNG supply contract in a hundred-billion-dollar deal with a Qatar energy company, adding vibrancy to the whole landscape of the LNG industry. The Group will continue the green development with Sinopec and CNOOC in respect of LNG mobile containers, LNG logistics fleets and in LNG infrastructure projects through the jointly controlled companies.

The Group is confident in the prospects of the LNG industry, a sector in which it has been deeply engaged for over a decade, it will step up its effort to develop LNG as the core business and fully utilize LNG to facilitate low-carbon energy development. The Group has utilized its advantages in a supply chain from upstream sourcing and logistics to the downstream pipeline networks and the various LNG franchise rights granted by the PRC local governments, thereby consolidating its leading position in the industry. Given the added resources from upstream strategic business partners in securing stable LNG supply and privileged pricing, strengthened by internal organic growth in our LNG terminals and storages and logistics bases, the Group is well positioned to capitalize on the swift post pandemic recovery of the LNG market to maximize value for our shareholders.

FINANCIAL REVIEW

Revenue

For the six months period ended 30 September 2022, the Group recorded a total revenue of approximately HK\$128.6 million from operations, which was mainly contributed by the sales and distribution of LNG business, representing a decrease of 57% as compared to approximately HK\$299 million for the six months period ended 30 September 2021 (the “**Previous Period**”).

The strong spot LNG prices in the market adversely impacted in the revenue of the Group as a downstream player facing directly to end users, the strict pandemic control measures in the PRC had seriously affected the production capacity of the industrial users with reduced LNG demand, leading to a substantial decrease in the revenue of the Group generated from sales and distribution of LNG.

The Group will try its best effort to stabilise the LNG supply from upstream suppliers and enlarge the middlestream and downstream customer bases to increase revenue, profit and cash flow contribution to the Group.

Cost of Sales

Cost of sales mainly comprised cost of LNG inventories sold, LNG truck maintenance costs, drivers’ wages and commission, staff costs of LNG refilling stations and certain fixed costs such as depreciation of property, plant and equipment. The LNG purchase price of the Group is determined on a combination of certain factors including the benchmark gateway station prices set by the National Development and Reform Commission of the PRC, the procurement cost from upstream suppliers and the distance of delivery.

During the Current Period, the Group’s cost of sales amounted to approximately HK\$137.8 million, representing a decrease of 56.3% as compared to approximately HK\$315.2 million for the Previous Period, which was primarily due to the decrease in the cost of inventories sold as a result of the decline in sales volume.

Gross Loss

Gross loss for the Current Period amounted to approximately HK\$9.2 million, representing an improvement of 43.3% as compared to a gross loss of approximately HK\$16.2 million for the Previous Period. The improvement of gross loss during the reporting period was primarily attributable to (i) the reorganisation of loss-making business units in frequent pandemic control zone to minimise the impact of direct costs under shrinking markets; (ii) the restructure of the drivers’ payroll components and increased the portion of performance commission, to link more direct costs with revenue; and (iii) the continuous implementation of strict control measures over direct operation and maintenance costs while taking into consideration of safety factors.

Other Income and Gains and Other Losses

Other income and gains and other losses of the Group mainly comprised loss on disposal of plant and equipment, fair value loss on financial assets at fair value through profit or loss, loss on disposal of subsidiaries, exchange gain or loss and interest income from bank. Other income and gains and other losses amounted to approximately HK\$0.6 million for the Current Period, as compared to approximately HK\$3.7 million for the Previous Period, the decrease in other income and gains was mainly due to the loss on disposal of plant and equipment for the reporting period.

Selling and Distribution Expenses

Selling and distribution expenses of the Group mainly comprised staff costs and office expenses incurred by sales and marketing department. The selling and distribution expenses amounted approximately HK\$4.7 million for the Current Period, representing a decrease of 29.7% as compared to approximately HK\$6.7 million for the Previous Period.

Administrative Expenses

Administrative expenses of the Group mainly comprised employee benefits and office expenses, legal and professional fees, amortisation on intangible assets, depreciation on right-of-use assets and on property, plant and equipment. Administrative expenses amounted approximately HK\$54 million for the Current Period, representing a decrease of 5.2% as compared with approximately HK\$57 million for the Previous Period. The decrease was primarily attributable to the decrease in staff costs and general operational expenses as a result of the cost saving measures adopted by the Group during the reporting period.

Impairment Assessment, Net

As of 30 September 2022, the Group performed an impairment review on the sales and distribution of the LNG segment in respect of the LNG assets which mainly consist of infrastructure properties and storage and transformation facilities. According to the assessment of management, the Group determined that there was no reversal of impairment loss on the LNG assets. The decline in sales volume during the current interim period having taken into account when assessing the impairment of LNG assets, in the opinion of the management of the Group, it was the market adjustment in response to the current unfavorable price and pandemic situations. In considering that LNG plays a pivotal role in reducing carbon emission which providing clean energy with lower air quality impacts in an affordable manner, when the world is determined to reduce fossil fuel dependency in the transition to low-carbon energies, demand for LNG is set to grow over the long term, the return from sales and distribution of LNG segment of the Group has great potential with these LNG assets.

Management of the Company also performed a review on the expected credit loss of the Group in respect of loan receivables, finance lease receivables, trade and other receivables (the “**Receivables**”). The reversal of impairment on the Receivables of approximately HK\$3.7 million (Previous Period: impairment losses of HK\$6.3 million) was recognized for the Current Period. In reviewing the Receivables, the past-due status and aging information of the grouped debtors of the Receivables at the end of the Current Period have been considered.

Finance Costs

Finance costs mainly comprised interest on lease liabilities, interest on loans from a shareholder and interest on bank and other borrowings. Finance costs amounted to approximately HK\$16.8 million for the Current Period, representing an increase of 17.5% as compared to approximately HK\$14.3 million for the Previous Period, the increase was mainly due to the interest on bank borrowings as the result of increased bank facilities.

Income Tax Credit

Income tax credit mainly comprised current income tax and deferred income tax, the PRC subsidiaries of the Group are subject to the Enterprise Income Tax as determined under PRC tax laws and accounting standards.

Income tax credit amounted to approximately HK\$1.3 million for the Current Period, mainly represents an over-provision of Hong Kong profit tax in prior years.

Loss for the Period

As a combined result of the factors discussed above, the Group's loss for the Current Period was approximately HK\$80.6 million, representing a decrease of 17.8% as compared to approximately HK\$98 million for the Previous Period.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2022, the cash and cash equivalents of the Group amounted to approximately HK\$36.3 million (31 March 2022: HK\$26.6 million), which were mainly denominated in Hong Kong Dollar and Renminbi.

As at 30 September 2022, the total interest-bearing bank and other borrowings of the Group amounted to approximately HK\$554.9 million (31 March 2022: HK\$574.2 million) mainly are loans from a shareholder of the Company. The interest-bearing bank and other borrowings were primarily used for working capital and investment in infrastructure projects.

GEARING RATIO

The Group monitors capital on the basis of the gearing ratio. Gearing ratio is calculated by dividing the interest-bearing debts by total equity at the period end date and expressed as a percentage, the net debts are defined as interest-bearing borrowings that exclude payables and accruals incurred in the ordinary course of business. The gearing ratio of the Group as at 30 September 2022 was 282.7% (31 March 2022: 187.7%), the strengthening of the Hong Kong Dollar against the Renminbi as at the period end date impacted negatively the reported value of total equity of the Company, on the contrary, the loans from a shareholder are mainly denominated in Hong Kong Dollars, hence gearing ratio of the Company increased.

CAPITAL COMMITMENT

As at 30 September 2022, the total capital commitments by the Group amounted to approximately HK\$225 million (31 March 2022: HK\$264.4 million), which were mainly contracted commitments in respect of construction projects and purchase of machinery and equipment.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 September 2022 (31 March 2022: Nil).

PLEDGE OF ASSETS

As at 30 September 2022, the Group's land use rights, certain construction in progress and equipment and machinery with an aggregate carrying amount of approximately HK\$80.4 million (31 March 2022: HK\$68.4 million) were pledged to secure certain loans and banking facilities granted to the Group.

RISK MANAGEMENT

Commodity Price Risk

The revenue and results of the LNG business in the PRC are sensitive to changes in LNG prices and general economic conditions, any substantial rise in prices may result in reduction of existing or future orders, it could have a negative impact on the Group's income from operations and the cash flow and profitability. In order to alleviate the negative impact of the price uncertainties, the Group has reviewed its pricing policies and ensure necessary price adjustment mechanism exists to reduce or avoid the adverse impact.

Foreign Currency Risk

The major operating units of the Company is in China and is exposed to foreign exchange risk that comes from future commercial transactions and holding assets and liabilities in Renminbi, as the reports of the Company is in Hong Kong Dollar, a strengthen of the Hong Kong Dollar against Renminbi will have a negative impact on the reported earnings that relate to its income earned in geographies outside Hong Kong. The Directors consider that the Group's exposure to foreign currency exchange is insignificant as the majority of the Group's transactions are denominated in the functional currency of each individual group entity.

Interest Rate Risk

The Group has no significant interest rate risk. The Group currently does not have any specific policies in place to manage interest rate risk and has not entered into any interest rate swap transactions to mitigate interest rate risk but will closely monitor related risk in the future.

LEGAL PROCEEDINGS

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2022, the Group had a staff roster of 338 members (31 March 2022: 628). The related staff costs including directors' emoluments for the Current Period amounted to approximately HK\$34.7 million (six months ended 30 September 2021: HK\$56.5 million), the decrease in staff costs were mainly due to the reduction in number of staffs as a result of the cost saving measures adopted by the Group in response to the impact brought by the market decline.

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

EVENT AFTER THE REPORTING PERIOD

As of the date of this announcement, the Group is formalizing a business partnership arrangement (whereas the Group will provide the infrastructure, equipment and clientele, whilst the partner will provide the LNG supply) with one of the Group's strategic business partner to supply most to all of the LNG needs of the Group's completed downstream infrastructure projects, on preferential basis and discounted merchant prices up to around 15% over prevailing market prices.

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period, nor had there been any contract of significance entered into between the Group and a controlling shareholder of the Company during the Current Period.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities during the six months ended 30 September 2022.

CORPORATE GOVERNANCE CODE

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. The Company has adopted the code provisions set out in the Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 to the Listing Rules as its code of corporate governance. For the Current Period, the Board is of the view that the Company has complied with all code provisions set out in the CG Code save and except for code provision A.2.1 and A.4.1 of the CG Code set out as follows:

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

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

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the code provision D.3.3 of the CG Code. The primary responsibilities of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Company's financial controls, internal control and risk management systems, to review and monitor the effectiveness of the audit process and to perform other duties and responsibilities as assigned by the Board. The Audit Committee consists of three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee as its members, Currently Mr. Li Siu Yui is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2022 and this announcement.

PUBLICATION OF THE INTERIM RESULTS

This announcement is published on the website of the Stock Exchanges at www.hkexnews.hk and the Company's website at <http://chinalng.todayir.com>. The interim report for the six month ended 30 September 2022 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and published on the above websites in due course.

On behalf of the Board
Kan Che Kin, Billy Albert
Chairman

Hong Kong, 30 November 2022

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

* *For identification purposes only*