CHINA HK POWER SMART ENERGY GROUP LIMITED
中國港能智慧能源集團有限公司

(formerly known as 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 2023

The board (the "**Board**") of directors (the "**Directors**") of China HK Power Smart Energy 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 2023 together with the comparative figures for the corresponding period in 2022. The unaudited interim condensed consolidated financial information for the six months ended 30 September 2023 has been reviewed by the audit committee (the "**Audit Committee**") of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 September 2023

		For the six months ended 30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**128,622**	128,606
Cost of sales		**(129,914)**	(137,787)
Gross loss		**(1,292)**	(9,181)
Other income and gains and other losses	*5*	**(2,047)**	598
Selling and distribution expenses		**(4,377)**	(4,717)
Administrative expenses		**(37,500)**	(54,010)
Reversal of impairment of account receivables		**2,428**	3,771
Finance costs	*6*	**(15,701)**	(16,801)
Share of results of joint ventures		**26**	(1,550)
LOSS BEFORE TAX	*7*	**(58,463)**	(81,890)
Income tax credit	*8*	**11**	1,286
LOSS FOR THE PERIOD		**(58,452)**	(80,604)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		For the six months ended 30 September	
		2023	2022
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
LOSS FOR THE PERIOD		**(58,452)**	(80,604)
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Other comprehensive income/(expense) items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign operations of subsidiaries		**13,700**	(63,928)
Share of other comprehensive income of joint ventures		**1,435**	6,118
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		**15,135**	(57,810)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		**(43,317)**	(138,414)
Loss for the period attributable to:			
Owners of the Company		**(47,216)**	(72,405)
Non-controlling interests		**(11,236)**	(8,199)
		(58,452)	(80,604)
Total comprehensive expense attributable to:			
Owners of the Company		**(32,081)**	(132,349)
Non-controlling interests		**(11,236)**	(6,065)
		(43,317)	(138,414)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*10*		
– Basic		**HK$(0.82) cents**	HK$(1.28) cents
– Diluted		**HK$(0.82) cents**	HK$(1.28) cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	**30 September 2023 (Unaudited)** ***HK$'000***	31 March 2023 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**428,913**	447,921
Other intangible assets		**3,741**	4,131
Right-of-use assets	*11*	**107,895**	105,937
Interests in joint ventures		**73,385**	76,548
Deposits for acquisition of plant and equipment		**105,522**	116,089
Deposits for acquisition of land use rights		**43,550**	46,165
Other assets		**280,400**	298,426
Statutory deposits		**200**	200
Total non-current assets		**1,043,606**	1,095,417
CURRENT ASSETS			
Inventories		**8,259**	9,033
Finance lease receivables		**9,802**	10,433
Loan and reimbursement receivables	*12*	**112,787**	112,787
Accounts and other receivables, prepayments and deposits	*13*	**84,734**	77,932
Financial assets at fair value through profit or loss		**3**	4
Bank balances held on behalf of clients		**–**	608
Cash and cash equivalents		**53,726**	31,769
Total current assets		**269,311**	242,566

	Notes	**30 September 2023 (Unaudited) *HK$'000***	31 March 2023 (Audited) *HK$'000*
CURRENT LIABILITIES			
Accounts payable	*14*	**105,960**	131,342
Other payables and accruals	*15*	**478,020**	506,898
Interest-bearing bank borrowings	*16*	**82,934**	88,323
Lease liabilities	*17*	**2,435**	4,762
Tax payable		**4,921**	6,016
Total current liabilities		**674,270**	737,341
NET CURRENT LIABILITIES		**(404,959)**	(494,775)
TOTAL ASSETS LESS CURRENT LIABILITIES		**638,647**	600,642
NON-CURRENT LIABILITIES			
Loans from a shareholder	*15*	**511,474**	476,430
Interest-bearing bank borrowings	*16*	**23,291**	26,684
Lease liabilities	*17*	**6,428**	1,159
Deferred tax liabilities		**1,663**	2,276
Total non-current liabilities		**542,856**	506,549
NET ASSETS		**95,791**	94,093
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Issued capital	*18*	**114,876**	112,876
Reserves		**(37,190)**	(48,124)
		77,686	64,752
Non-controlling interests		**18,105**	29,341
TOTAL EQUITY		**95,791**	94,093

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is an investment holding company, the subsidiaries of the Company (together, the "**Group**") are principally engaged in the Sales and distribution of natural gas and provision of financial services business.

The unaudited interim condensed consolidated financial information of the Company for the six months ended 30 September 2023 has not been audited but has been reviewed by the audit committee of the Company. The unaudited interim condensed consolidated financial information was approved for issue by the Board on 30 November 2023.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information of the Company for the six months ended 30 September 2023 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 (the "**Listing Rules**") governing the Listing of Securities on the Stock Exchange.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended 31 March 2023. The unaudited interim condensed consolidated financial information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except unless otherwise stated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and methods of computation used in the unaudited interim condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those followed in the preparation of the financial statements for the year ended 31 March 2023, except for the accounting policy changes that are expected to be reflected in the Company's annual consolidated financial statements ending 31 March 2024. The effect of the adoption of these standards, amendments and interpretation is not material on these unaudited interim condensed consolidated financial statements.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sales and distribution of natural gas	**102,331**	87,281
Provision of logistics services	**25,642**	39,862
Interest income from loan financing	**649**	1,463
	128,622	128,606

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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**13**	23
Loss on disposal of plant and equipment	**(490)**	(1,066)
Gain/(loss) on deregistration of a subsidiary	**40**	(491)
Loss on disposal of financial assets at fair value through profit or loss	**(159)**	–
Fair value change on financial assets at fair value through profit or loss	**(229)**	(520)
Exchange gain	**66**	2,158
Others	**(1,288)**	494
	(2,047)	598

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on loans from a shareholder	**12,232**	11,148
Interest on bank loans and other borrowings	**3,290**	3,620
Interest on lease liabilities	**179**	2,033
	15,701	16,801

7. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**129,914**	137,787
Deprecation of right-of-use assets	**4,062**	6,829
Depreciation of property, plant and equipment	**17,218**	16,222
Amortisation of other intangible assets	**811**	2,624
Staff costs, including directors' emoluments	**22,564**	34,706

8. INCOME TAX

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

	For the six months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax – Hong Kong		
Over-provision in prior years	**–**	1,232
Current tax – PRC		
Over-provision in prior years	**11**	54
Total tax credit for the period	**11**	1,286

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 2023 (six months ended 30 September 2022: 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 5,743,797,090 (six months ended 30 September 2022: 5,643,797,090) in issue during the period.

The diluted loss per share for the six months ended 30 September 2023 and 2022 is equal to the basic loss per share as there was no dilutive potential ordinary shares. The computation of diluted loss per share for the six months ended 30 September 2023 do not assume the exercise of outstanding share options of the Company since the assumed exercise would result in a decrease in loss per share.

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

	For the six months ended 30 September	
	2023	2022
	(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	**(47,216)**	(72,405)
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	**5,743,797,090**	5,643,797,090

11. RIGHT-OF-USE ASSETS

	30 September 2023 (Unaudited) ***HK$'000***	31 March 2023 (Audited) *HK$'000*
Land use rights	**98,848**	100,086
Properties	**9,047**	5,851
	107,895	105,937

As at 30 September 2023, land use rights with the carrying amount of approximately HK$64,157,000 (31 March 2023: HK$66,924,000) were pledged to banks to secure banking facilities granted to the Group.

12. LOAN AND REIMBURSEMENT RECEIVABLES

	30 September 2023 (Unaudited) ***HK$'000***	31 March 2023 (Audited) *HK$'000*
Loan receivables	**144,385**	142,431
Less: Allowance for credit losses	**(144,385)**	(142,431)
	–	–
Reimbursement receivables	**112,787**	112,787
	112,787	112,787

Loan receivables of the Company as at the period ended 30 September 2023 are related to loans advanced by the subsidiary of the Company, which engaged in money lending business, to the ultimate beneficial owner of one of the non-controlling shareholders of Key Fit Group Limited ("**Key Fit**"), a 60.42%-owned subsidiary of the Company, the loans were secured by the first and second priority ranking charge over the issued shares in Key Fit and 15,920,000 shares of the Company. The loan receivables bore interest rates ranging from 12% to 15% per annum at the time of granting and respective extension, pursuant to the loan agreements, the borrower shall pay interest at the rate of 20% per annum in the event of default.

At 30 September 2023, an aggregate amount of HK$144,385,000 (31 March 2023: HK$142,431,000) in the loan receivables was due after the final maturity dates in 2018. The Group exercised its right under a loan agreement due to the default of a borrower, the collateral of 15,920,000 shares of the Company have been disposed to offset the outstanding loan receivables pursuant to the loan agreement entered between the Group and the borrower. In addition, the Group has taken the initiative 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.

The substantial shareholder of the Company, Dr. Kan Che Kin, Billy Albert ("**Dr. Kan**"), has provided personal undertaking to purchase HK$112,787,000 (31 March 2023: 112,787,000) among the loans as mentioned above, Dr. Kan will reimburse the Group for the loss that the Group might incur if the borrower fails to pay. The Group recognizes reimbursement receivable of HK$112,787,000 (31 March 2023: HK$112,787,000) as it is virtually certain that Dr. Kan will reimburse the Group for the loss that the Group might incur if the borrower fails to pay.

13. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

		30 September 2023 (Unaudited) *HK$'000*	31 March 2023 (Audited) *HK$'000*
Accounts receivable on dealing in securities	*(a)*		
Cash clients		**317**	317
Less: Allowance for credit losses		**(317)**	(317)
Margin clients		**3,787**	3,787
Less: Allowance for credit losses		**(3,787)**	(3,787)
		–	–
Accounts receivable on natural gas businesses	*(b)*	**32,589**	37,886
Less: Allowance for credit losses		**(23,988)**	(28,655)
		8,601	9,231
Deposits and other receivables		**38,803**	28,279
Less: Allowance for credit losses		**(12,604)**	(9,959)
		26,199	18,320
Loan to a third party	*(c)*	**1,888**	2,010
Prepayments		**44,557**	34,722
Value-added tax recoverable		**3,489**	13,649
		84,734	77,932

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 natural gas 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 natural gas 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 2023 (Unaudited) *HK$'000*	31 March 2023 (Audited) *HK$'000*
Within 3 months	**5,390**	8,721
4 to 6 months	**2,350**	40
Over 6 months	**861**	470
	8,601	9,231

(c) The loans were unsecured, interest-bearing at 8% (31 March 2023: 8%) per annum and repayable on demand.

14. ACCOUNTS PAYABLES

	30 September 2023 (Unaudited) *HK$'000*	31 March 2023 (Audited) *HK$'000*
Accounts payable on dealing in securities		
Cash clients	**–**	473
Margin clients	**–**	135
Accounts payable on natural gas business	**105,960**	130,734
	105,960	131,342

The Group ceased to carry on the security trading business and the unclaimed client assets have been lodged into the High Court on 14 June 2023. An ageing analysis of the accounts payable on natural gas business as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2023 (Unaudited) *HK$'000*	31 March 2023 (Audited) *HK$'000*
Within 3 months	**10,903**	33,963
4 to 6 months	**4,642**	10,031
Over 6 months	**90,415**	86,740
	105,960	130,734

15. OTHER PAYABLES AND ACCRUALS

	30 September 2023 (Unaudited) *HK$'000*	31 March 2023 (Audited) *HK$'000*
Accruals and other payables	**99,731**	128,184
Contract liabilities	**20,382**	16,981
Loans from a shareholder	**511,474**	476,430
Interest payable on loans from a shareholder	**77,507**	63,307
Payable for the right to acquire property, plant and equipment	**280,400**	298,426
	989,494	983,328
Portion classified as non-current liabilities	**(511,474)**	(476,430)
Portion classified as current liabilities	**478,020**	506,898

The loans from a shareholder bearing an interest of 5% to 8% per annum (31 March 2023: 5% to 8%), unsecured and repayable on demand, the shareholder Dr. Kan agreed not to demand repayment of the loans until 31 December 2024.

On 30 October 2023, the Group reached agreements with Dr. Kan to reduce the interest rate on all outstanding loans provided by Dr. Kan to the Group to the standard loan interest rate of 5% with effect from 1 November 2023.

16. INTEREST BEARING BANK BORROWINGS

	30 September 2023 (Unaudited) *HK$'000*	31 March 2023 (Audited) *HK$'000*
Repayable within one year	**82,934**	88,323
Repayable in the second to fifth year inclusive	**14,254**	15,170
Repayable after five years	**9,037**	11,514
	106,225	115,007
Portion classified as current liabilities	**(82,934)**	(88,323)
Portion classified as non-current liabilities	**23,291**	26,684

17. LEASE LIABILITIES

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

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2023 (Unaudited) ***HK$'000***	31 March 2023 (Audited) *HK$'000*	**30 September 2023 (Unaudited)** ***HK$'000***	31 March 2023 (Audited) *HK$'000*
Within one year	**2,840**	4,888	**2,435**	4,762
More than one year	**7,119**	1,190	**6,428**	1,159
Total minimum finance lease payments	**9,959**	6,078	**8,863**	5,921
Future finance charges	**(1,096)**	(157)		
Present value of lease obligations	**8,863**	5,921		

18. ISSUED CAPITAL

Ordinary shares of HK$0.02 each

	Number of shares	Amount *HK$'000*
Authorised:		
At 31 March 2023 and 30 September 2023	2,000,000,000	40,000
Issued and fully paid:		
At 31 March 2023	5,643,797,090	112,876
Issue of new shares *(Note i)*	100,000,000	2,000
At 30 September 2023	5,743,797,090	114,876

Note:

(i) Pursuant to the subscription agreement entered into between the Company and a subscriber dated 20 September 2023, the Company has conditionally agreed to allot and issue a total of 100,000,000 subscription shares under the general mandate at the subscription price of HK$0.39 per subscription share. Completion of the subscription took place on 29 September 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The global natural gas market in 2023 is trending stable, the medium to long-term prices have largely returned to pre–Ukraine crisis levels. China continue to lead the demand growth, with a 5.6% increase in natural gas consumption in the first quarter of 2023 compared to the same period last year, of which approximately 59% of demand was met by domestic production, it is projected that domestic natural gas demand in China will reach a new record of 385 to 390 billion cubic meters in 2023. However, the domestic natural gas import costs remain relatively high, deviating from the significant downward trend of international prices, the industry development is facing new situations and new requirements.

China's success in the natural gas market results from over a decade-long commitment to promoting low-carbon energy adoption, demonstrated through sustained financial and non-financial measures such as the extensive deployment of natural gas infrastructure and stringent policies restricting the use of coal and diesel energy. Moreover, the Chinese government is committed to actively participating in global governance to address climate change, in the Report to the 20th National Congress of the Communist Party of China, it proposed promoting the use of clean, low-carbon and high-efficiency energy and advancing clean and low-carbon transitions in industries, construction, transportation and other sectors. Greater efforts will be made to accelerate the planning and development of the new energy system in an orderly manner. The systems for energy production, supply, storage and marketing will be further strengthened to ensure energy security.

This landmark measure is expected to significantly boost sales growth in the clean energy market, thereby reinforcing China's position as a global leader in the transition towards clean and sustainable energy development. The extension of the current policies will also continue to solidify China's dominance in the global energy market and its role as a key player in the ongoing green energy revolution. The flexible and efficient characteristics of natural gas support its synergistic development with multiple energy sources, enabling it to play a role in flexible regulation and become one of the pathways to address the issue of peak load balancing in the context of new energy sources, it continues to play a positive role in the stages of carbon peaking and carbon neutrality.

In the future, clean energy will provide tremendous business opportunities for energy transition and addressing climate change in terms of new business models and new technologies. The development of a new round of technology and industrial transformation has driven innovation and application of energy technologies. The advancements in energy conversion and energy storage technologies have gradually reduced costs and improved efficiency. As a result, clean energy is leading the trend towards diversified and intelligent energy development.

BUSINESS REVIEW

During the six months period ended 30 September 2023 (the "**Reporting Period**"), under the guidance of the Chinese government's "14th Five-year Plan" for energy development and the goals of "3060 carbon emissions peaking and carbon neutrality", the clean energy industry ushered new opportunities for development. However, due to the various links of the industrial chain and the changing supply and demand, the market price of natural gas remains high as compared with previous years. Facing such opportunities and challenges, the Company continuously processed optimization and accelerated the release of production capacity, by increasing its effort to expand the business scale of operational development, the Company further improved its comprehensive competitiveness.

For the Reporting Period and at present, the Company mainly has two business segments, including the sales and distribution of natural gas and financial services business. The business operation of each segment is as follows.

Sales and Distribution of Natural Gas

Wholesale of Natural Gas (Trade)

For the Reporting Period, the Company recorded a natural gas wholesale volume of 11,748 tons, income generated from the wholesale of natural gas (trade) amounted approximately HK$48,962,000.

Point-to-point Supply of Natural Gas (Retail)

For the Reporting Period, the Company recorded an natural gas retail volume of 9,723 tons, the income generated from the point-to-point supply of natural gas (retail) amounted approximately HK$53,369,000.

Distribution of Natural Gas (Logistics)

For the Reporting Period, the distribution delivery fleets of the Company transmitted a total of 40,057,708 ton-kilometers, among which 96% served for external customers, the income generated from the distribution of natural gas (logistics) amounted approximately HK$25,642,000.

Natural Gas Pipeline Network

The Company carried out natural gas line engineering projects and built pressure pipelines, gate and regulator stations to integrate retail to the end-user market and to expand downstream users through comprehensive gas transmission ancillary facilities. As of the period end date, the connected residential users of the Company increased to 4,707 households, income generated from the supply of natural gas and relevant value-added services to residential users has been included in the income from the point-to-point supply of natural gas (retail) for the Reporting Period.

Investment in Downstream Natural Gas Assets

During the current interim period, the Company adhered to the concept of focusing on centralized energy development along with distributed management and focused on the presence in Hubei Huanggang, Hubei Guangshui, Anhui Luan, Jiangxi Jingdezhen and other places, actively promoted resources around large-scale natural gas bases integrating energy storage and energy management.

As at 30 September 2023, the Company owns two automobile gas stations, which are cooperating with the wholly-owned subsidiaries of CNOOC Limited ("**CNOOC**"). By leveraging the unique advantages available in the CNOOC procurement platform, automobile gas stations of the Company effectively reduce the natural gas procurement costs, driving sales volume growth with more competitive sales prices. CNOOC acts as the sole natural gas supplier responsible for the daily operation of the gas stations and shares the operational results according to agreed terms and conditions.

Financial Services Business

The financial services business of the Company during the period under review are including: (i) the provision of finance lease services typically for natural gas 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 Hong Kong. The management of the Company has remained prudent in making additional investment in financial services business in view of the slow down economic outlook.

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 Company has ceased the dealing in securities business and lodged the unclaimed client assets into the High Court on 14 June 2023.

PROSPECTS AND OUTLOOK

Global climate change brings new business models and facilitated the adoption of clean energy, which has manifested challenges for the traditional energy industry while opening new opportunities for smart energy solutions.

Over the years, the Company has accumulated vast experience in the sales and management of the natural gas business, as well as established a favourable reputation and market position in mainland China. Seizing opportunities in the transformation of the energy structure and the development of the clean energy sector, the Company has been continuously optimizing costs and business structures, expanding its distribution channels by strategically collaborating with local partner enterprises that possess extensive business and marketing experience, with the aim of further exploring the smart application of clean energy and expanding high quality end-users.

Apart from seeking targets with market-leading technologies to provide smart energy solutions, the Company has made significant changes to the management team during October 2023 by inviting an experienced management team from the clean energy sector to lead its business development. The Company will fully leverage its resource advantages, integrate different energy sources to build a smart low-carbon new energy model to pursue green and ecological development, commence from the northern heating and industrial energy conservation, the Company is strive to becoming a leading comprehensive smart energy service provider in China.

Looking ahead, the management of the Company is mindful of the market environment and will continue to adopt cautionary steps in and implementing various strategies to mitigate the adverse impact on the business arising from challenges as in this market condition. Moreover, the Company will develop its business in the smart clean energy sector and explore new business opportunities in order to create value for its shareholders.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Company's revenue amounted to approximately HK$128.6 million which was mainly contributed by the sales and distribution of natural gas business, the revenue was flat as compared with that of the corresponding period last year.

Cost of Sales

Cost of sales of the Company mainly comprised cost of natural gas sold, logistics truck maintenance costs, drivers' wages and commission, direct operations costs and depreciation of property, plant and equipment. The natural gas 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 Reporting Period, the Company's cost of sales amounted to approximately HK$129.9 million, representing a decrease of 5.7% as compared to approximately HK$137.8 million for the six months ended 30 September 2022 (the "**Previous Period**"), the decrease is mainly due to the decrease in natural gas purchase prices and the decrease in drivers' commission as a result of the decline in the delivery of logistics ton-kilometers.

Gross Loss

Gross loss of the Company for the Reporting Period amounted to approximately HK$1.3 million, representing an improvement of 85.9% as compared to a gross loss of approximately HK$9.2 million for the Previous Period. The improvement of gross loss during the Reporting Period was primarily attributable to (i) the improved gross profit from the natural gas supply business which the Group obtaining favorable prices on natural gas purchase benefited from the cooperation with CNOOC; (ii) the cost-saving measures in the natural gas logistics business due to the reorganization of the loss-making business units which minimized the impact of direct costs; and (iii) the drop back in national natural gas prices which reduced the cost of natural gas consumption of the logistics business.

The Company's gross loss ratio is improved from 1% to 7.1% for the Reporting Period as compared with that of the corresponding period last year.

Other Income and Gains and Other Losses

Other income and gains and other losses of the Company mainly comprised loss on disposal of plant and equipment, fair value change on financial assets at fair value through profit or loss, loss on disposal of financial assets at fair value through profit or loss, exchange gain or loss and interest income from bank. Other income and gains and other losses amounted to the net losses approximately HK$2 million for the Reporting Period, as compared to the net gain of approximately HK$0.6 million for the Previous Period, the decrease in other income and gains was mainly due to the loss on disposal of plant and equipment and sundry losses for the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses of the Company mainly comprised staff costs and marketing expenses incurred by sales department. The selling and distribution expenses amounted approximately HK$4.4 million for the Reporting Period, representing a decrease of 7.2% as compared to approximately HK$4.7 million for the Previous Period.

Administrative Expenses

Administrative expenses of the Company mainly comprised employee and office expenses, legal and professional fees, amortisation on intangible assets, depreciation on right-of-use assets and on property, plant and equipment. Administrative expenses amounted approximately HK$37.5 million for the Reporting Period, representing a decrease of 30.6% as compared with approximately HK$54 million for the Previous Period. The decrease was primarily attributable to the Company's effective management control over the general operational expenditures during the Reporting Period.

Impairment Assessment, Net

Management of the Company conducted an impairment review on the fixed assets and receivables for the Reporting Period. The review of fixed assets impairment has taken into consideration the revenue and the improved gross loss of the Company. Management of the Company believes that the current unfavorable situation of the Company is a result of the self-adjustment in response to market, demand for natural gas is set to grow in the future, the investment in key fixed assets of the Company is anticipated to yield returns over long term. Accordingly, it was determined that the fixed asset of the Company has no further impairment for the Reporting Period.

At the end of the Reporting Period, a review was conducted on the expected credit loss of the Company's finance lease receivables and trade receivables with reference to the past-due status and aging information of the grouped debtors, a reversal of impairment on the trade receivables of approximately HK$2.4 million (Previous Period: HK$3.8 million) was recognized for the Reporting Period due to the decrease in trade receivable of natural gas business.

Finance Costs

Finance costs of the Company mainly comprised interest on lease liabilities, interest on loans from a shareholder and interest on bank and other borrowings. Finance costs amounted to approximately HK$15.7 million for the Reporting Period, representing a decrease of 6.6% as compared to approximately HK$16.8 million for the Previous Period, the decrease was primarily attributed to interest savings on lease liabilities resulting from the maturity of lease terms during the Reporting Period.

Income Tax Credit

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

Income tax credit amounted to approximately HK$11,000 for the Reporting Period, mainly represents an over-provision of the PRC enterprise income tax in prior years.

Loss for the Period

As a combined result of the factors discussed above, the Company's loss for the Reporting Period was approximately HK$58.5 million, representing an improvement of 27.5% as compared to approximately HK$80.6 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 2023 (six months ended 30 September 2022: Nil).

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2023, the cash and cash equivalents of the Company amounted to approximately HK$53.7 million (31 March 2023: HK$32.4 million), which were mainly denominated in Hong Kong Dollar and Renminbi.

As at 30 September 2023, the total interest-bearing bank and other borrowings of the Company amounted to approximately HK$617.7 million (31 March 2023: HK$591.4 million) mainly are loans from a shareholder of the Company and bank loans. The interest-bearing bank and other borrowings were primarily used for working capital and investment in existing and new projects.

GEARING RATIO

The Company monitors capital on the basis of the gearing ratio. Gearing ratio is calculated by dividing the interest-bearing debts by total equity at the period end date and expressed as a percentage, the net debts are defined as interest-bearing borrowings that exclude payables and accruals incurred in the ordinary course of business. The gearing ratio of the Company as at 30 September 2023 was 644.8% (31 March 2023: 628.6%), the strengthening of the Hong Kong Dollar against the Renminbi as at the period end date negatively impacted on the reported value of total equity of the Company, on the contrary, the loans from a shareholder are mainly denominated in Hong Kong Dollars, the combination of increased loans from a shareholder and decreased Renminbi assets resulted in a higher gearing ratio for the Company.

CAPITAL COMMITMENT

As at 30 September 2023, the total capital commitments by the Company amounted to approximately HK$183.8 million (31 March 2023: HK$229 million), which were mainly contracted commitments in respect of infrastructure projects and purchase of machinery and equipment.

CONTINGENT LIABILITIES

The Company had no significant contingent liabilities as at 30 September 2023 (31 March 2023: Nil).

PLEDGE OF ASSETS

As at 30 September 2023, the Company's land use rights and equipment and machinery with an aggregate carrying amount of approximately HK$64.2 million (31 March 2023: HK$85.5 million) were pledged to secure certain loans and banking facilities granted to the Company.

RISK MANAGEMENT

Macroeconomic Fluctuation and Industry Cyclicality Risks

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

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

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

Risk of Exchange Rate Fluctuations

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

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

Shortage In the Supply of Natural Gas and Risk of Significant Increase In Prices

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

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

LEGAL PROCEEDINGS

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

The Group has settled the dispute with the creditor amicably by reached a settlement agreement on 14 August 2023, a written judgement issued by the Court dated 10 August 2023 on the withdrew and discontinued the underlining case has been received by the Company. Pursuant to the terms and conditions of the settlement agreement, the Group shall pay the Debts to the creditor in accordance with the agreed repayment schedule. Accordingly, the Statutory Demand has ceased to have effect on the Company. Fully provision for the Debt has been made in the financial statements of the Company.

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 2023, the Company had a staff roster of 362 members (31 March 2023: 336). The related staff costs including directors' emoluments for the Reporting Period amounted to approximately HK$22.6 million (six months ended 30 September 2022: HK$34.7 million), the decrease in staff costs were mainly due to the resignation of senior staffs in the PRC and the decrease in drivers' commission as a result of the decline in the delivery ton-kilometers of logistics business.

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

EVENT AFTER THE REPORTING PERIOD

On 2 October 2023, the Company has appointed a chief executive officer along with a new management team consisting of eight members, each of the nine new management members has worked in the natural gas industry for 19 to 21 years and has made important contributions to the investment, construction and operation of natural gas infrastructure for residential, various industrial and commercial enterprises and industries in several cities in China. The change in management team suggests that the Company is striving to implement new strategies aimed at driving growth, improving efficiency and making other significant changes to enhance its performance and competitiveness in the market.

On 16 October 2023, an indirect wholly-owned subsidiary of the Company entered into an investment cooperation agreement with Xian Shengsen Thermal Technology Partnership (Limited Partner)* (西安盛森熱力科技合夥企業(有限公司)) (the "**Partnership Enterprise**") to establish a project company in the PRC aiming to leverage the partner's marketing expertise to effectively promote and sell the distributed central heating services, Pursuant to which the Group will own 70% equity interest of the registered share capital of Shaanxi Hezhi Zexi New Energy Technology Company Limited* (陝西合智澤熙新能源科技有限公司) ("**Shaanxi HZ**"), while the Partnership Enterprise will own 30% equity interest. The agreement signifies the Company's strategic move to expand its operations into the distributed central heating sector.

On 20 October 2023, the Company entered into the original design manufacturer cooperation agreement with Qiweite Solar Energy Group, according to the agreement, Qiweite Solar Energy Group will serve as the manufacturer and supply required equipment, parts and raw materials for the distributed central heating project of the Group for a period of five years with a minimum purchase amount of RMB100 million per annum. The agreement does not commit to the purchase requirement which is subject to conditions in the annual supply agreements.

References are made to the announcements of the Company dated 3 November 2023 and 20 November 2023, confirmed by the Registrar of Companies in the Cayman Islands and in Hong Kong, the English name of the company has been changed from "China LNG Group Limited" to "China HK Power Smart Energy Group Limited" and the Company has adopted a dual foreign name of "中國港能智慧能源集團有限公司". The stock short names of the Company for trading in the Shares on The Stock Exchange has been changed to "CHINA HK POWER" in English and to "中國港能" in Chinese respectively, both effective from 23 November 2023. The stock code of the Company on the Stock Exchange remains unchanged as "931".

As at the date of this announcement, the Company is formalizing a major transaction in relation to an acquisition of the entire equity interest in a target company, further announcement(s) will be made as and when appropriate in accordance with the applicable disclosure requirements of Chapter 14 and Chapter 14A of the Listing Rules.

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

References is made to the announcement of the Company dated 16 October 2023, in relation to the investment cooperation agreement for Shaanxi distributed center heating project. An indirect wholly-owned subsidiary of the Company entered into an investment cooperation agreement with the Partnership Enterprise to establish a project company in the PRC aiming to leverage the partner's marketing expertise to effectively promote and sell the distributed central heating services, pursuant to which the Group will own 70% equity interest of the registered share capital of Shaanxi HZ, while the Partnership Enterprise will own 30% equity interest. After completion of the transfer, the share capital of Shaanxi HZ will increase to RMB100 million and the Group will provide the entire capital amount and the Partnership Enterprise is not obligated to repay the capital investment to the Group.

To support the business development of the new project, the Group has entered into a long-term cooperation agreement with the key supplier of equipment and raw material to provide flexibility in meeting the equipment and service requirements for the project. References is made to the announcement of the Company dated 20 October 2023 in relation to the original design manufacturer cooperation agreement with Qiweite Solar Energy Group, according to the agreement, Qiweite Solar Energy Group will serve as the manufacturer and supply required equipment, parts and raw materials for the Heating Project of the Group for a period of five years with a minimum purchase amount of RMB100 million per annum. The agreement does not commit to the purchase requirement which is subject to conditions in the annual supply agreements.

Save as disclosed above, there was no other plan authorised by the Board for other material investments or additions of capital assets as at the date of this 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 Company and a controlling shareholder of the Company during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, a total of 5,079,040 shares of the Company have been sold by the securities brokerage business of the Company due to the foreclosure of a margin client, pursuant to the terms agreed, to recover the outstanding receivables from the margin client.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CORPORATE GOVERNANCE CODE

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company has adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Listing Rules as its code of corporate governance. For the Reporting Period, the Board is of the view that the Company has complied with 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. On 2 October 2023, Mr. Deng Yaobo has been appointed as the chief executive officer of the Company, Dr. Kan ceased to act as chief executive officer but remain as the Chairman of the Board and an executive Director, and responsible for carrying out duties of a chairman prescribed under the articles of association is of the Company and the Corporate Governance Code in Appendix 14 of the Listing Rules. The Board considers that by splitting the roles of the Chairman and the CEO will enhance the corporate governance of the Company and in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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 nonexecutive 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 Company for the six months ended 30 September 2023 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://chinahkpower.todayir.com. The interim report for the six month ended 30 September 2023 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
China HK Power Smart Energy Group Limited
Kan Che Kin, Billy Albert
Chairman

Hong Kong, 30 November 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Dr. Kan Che Kin, Billy Albert (Chairman), Mr. Deng Yaobo (chief executive officer) 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.