



中国港能
CHINA HK POWER

CHINA HK POWER SMART ENERGY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)



2023

INTERIM REPORT

智慧能源
綠色先行

Smart ENERGY
GREEN Come First

Everyone healthy
and everyone happy

人人
幸福

人 福 一 医 药 翻 速 能 源

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Dr. Kan Che Kin, Billy Albert (*Chairman*)
Mr. Deng Yaobo (*Chief executive officer*)
(*appointed on 2 October 2023*)
Mr. Li Kai Yien, Arthur Albert

NON-EXECUTIVE DIRECTORS

Mr. Simon Murray
Dr. Lam, Lee G.
Mr. Xiao Cong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Siu Yui
Mr. Lam Lum Lee
Mr. Chow Ching Ning

COMPANY SECRETARY

Ms. Chan Mui

AUTHORISED REPRESENTATIVES

Dr. Kan Che Kin, Billy Albert
Mr. Li Kai Yien, Arthur Albert

AUDIT COMMITTEE

Mr. Li Siu Yui (*Chairman*)
Mr. Chow Ching Ning
Mr. Lam Lum Lee

REMUNERATION COMMITTEE

Mr. Li Siu Yui (*Chairman*)
Mr. Chow Ching Ning
Dr. Kan Che Kin, Billy Albert

NOMINATION COMMITTEE

Mr. Li Siu Yui (*Chairman*)
Mr. Chow Ching Ning
Dr. Kan Che Kin, Billy Albert

REGISTERED OFFICE

Cricket Square Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor,
St. John's Building
33 Garden Road
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 158, Gardenia Court, Camana Bay
KY1-1110, Grand Cayman, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

PRINCIPAL BANKERS

Agricultural Development Bank of China Limited
Bank of China Limited
China Construction Bank Corporation Limited
Hang Seng Bank Limited

STOCK CODE

931

WEBSITE

<http://chinahkpower.todayir.com>

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)
		HK\$'000	HK\$'000
	Notes		
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)
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)
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 COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	For the six months ended 30 September	
Note	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
LOSS FOR THE PERIOD	(58,452)	(58,604)
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)
Total comprehensive expense attributable to:		
Owners of the Company	(32,081)	(132,349)
Non-controlling interests	(11,236)	(6,065)
	(43,317)	(138,414)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Notes		
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
	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
	269,311	242,566

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
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)
Non-controlling interests		77,686	64,752
		18,105	29,341
TOTAL EQUITY		95,791	94,093

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Share option reserve	Special reserve	Exchange reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2022 (audited)	112,876	434,385	14,746	(11,198)	(12,127)	(314,801)	223,881	96,733	320,614
Loss for the period	-	-	-	-	-	(72,405)	(72,405)	(8,199)	(80,604)
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	-	2,134	2,134
Exchange differences on translation of foreign operations	-	-	-	-	(63,928)	-	(63,928)	-	(63,928)
Share of other comprehensive income of joint ventures	-	-	-	-	3,984	-	3,984	-	3,984
Total comprehensive loss for the period	-	-	-	-	(59,944)	(72,405)	(132,349)	(6,065)	(138,414)
Equity-settled share option expenses	-	-	6,744	-	-	-	6,744	-	6,744
Cancellation of share options	-	-	(790)	-	-	-	(790)	-	(790)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	3,967	3,967
At 30 September 2022 (unaudited)	<u>112,876</u>	<u>434,385</u>	<u>20,700</u>	<u>(11,198)</u>	<u>(72,071)</u>	<u>(387,206)</u>	<u>97,486</u>	<u>94,635</u>	<u>192,121</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Issued capital	Share premium	Share option reserve	Special reserve	Treasury Shares	Exchange reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2023 (audited)	112,876	434,385	26,533	(11,408)	(7,350)	(66,003)	(424,281)	64,752	29,341	94,093
Loss for the period	-	-	-	-	-	-	(47,216)	(47,216)	(11,236)	(58,452)
Exchange differences on translation of foreign operations	-	-	-	-	-	13,700	-	13,700	-	13,700
Share of other comprehensive income of joint ventures	-	-	-	-	-	1,435	-	1,435	-	1,435
Disposal shares on default of receivables from a margin client	-	-	-	-	1,778	-	-	1,778	-	1,788
Total comprehensive loss for the period	-	-	-	-	1,778	15,135	(47,216)	(30,303)	(11,236)	(41,539)
Issue of new shares	2,000	37,000	-	-	-	-	-	39,000	-	39,000
Equity-settled share option expenses	-	-	4,237	-	-	-	-	4,237	-	4,237
Cancellation of share options	-	-	(9,354)	-	-	-	9,354	-	-	-
At 30 September 2023 (unaudited)	<u>114,876</u>	<u>471,385</u>	<u>21,416</u>	<u>(11,408)</u>	<u>(5,572)</u>	<u>(50,868)</u>	<u>462,143</u>	<u>77,686</u>	<u>18,105</u>	<u>95,791</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	For the six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Cash flows from operating activities		
Cash used in operations	(13,916)	(15,446)
Movements in working capital	(60,288)	(51,203)
Tax paid/repaid	(204)	51,528
	<hr/>	<hr/>
Net cash used in operating activities	(74,408)	(15,121)
	<hr/>	<hr/>
Cash flows from investing activities		
Payment for the purchase of property, plant and equipment	(3,403)	(10,054)
Proceeds from sales of property, plant and equipment	3,158	606
Return of cash balances held on behalf of clients	(608)	-
Disposal of land use right	-	1,273
Disposal of financial assets at fair value through profit or loss	1,594	-
Interest received	13	118
	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	754	(8,057)
	<hr/>	<hr/>
Cash flows from financing activities		
Capital element of lease liabilities payment	(4,062)	(6,635)
Interest element of lease liabilities payment	(179)	(2,033)
Interest paid on bank borrowings and other borrowings	(2,984)	(3,620)
Repayment of bank borrowing	(1,835)	(5,864)
New bank loans	-	6,943
Loan from a shareholder	36,010	10,326
Net proceeds from issue of new shares	39,000	-
Capital contribution from non-controlling interests	-	3,968
	<hr/>	<hr/>
Net cash generated from financing activities	65,950	3,085
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(7,704)	(20,093)
Effect of foreign exchange rate changes, net	29,661	29,810
Cash and cash equivalents at beginning of the period	31,769	26,601
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	53,726	36,318
	<hr/> <hr/>	<hr/> <hr/>

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 of directors of the Company 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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. OPERATING SEGMENT INFORMATION

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

- (1) Natural gas segment – including point-to-point supply of natural gas (retail), wholesale of natural gas (trade), distribution of natural gas (logistics) and natural gas pipeline network connection (“**Natural Gas business**”) in the PRC; and
- (2) Financial services and others segment – including finance lease services in the PRC, money lending and assets management services in Hong Kong (“**Financial Services and Others**”).

Management monitors the results of the Company's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Company's profit/(loss) before tax except that bank interest income, fair value change on financial assets at fair value through profit or loss, non-lease-related finance costs as well as head office and corporate income and expenses are excluded from such measurement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 September 2023 and 2022 (unaudited)

	Natural gas business		Financial services and others		Total	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Segment revenue						
Revenue from external customers	<u>127,973</u>	<u>127,143</u>	<u>649</u>	<u>1,463</u>	<u>128,622</u>	<u>128,606</u>
Segment results	<u>(29,182)</u>	<u>(53,120)</u>	<u>(4,990)</u>	<u>(2,927)</u>	<u>(34,172)</u>	<u>(56,047)</u>
Reconciliation						
Other income and other gains and losses					(2,047)	598
Finance costs (other than interest on lease liabilities)					(15,522)	(14,768)
Share of results of joint ventures					26	(1,550)
Corporate and other unallocated expenses					(6,748)	(10,123)
Loss before tax					<u>(58,463)</u>	<u>(81,890)</u>

5. REVENUE

An analysis of revenue is as follows:

For the six months ended
30 September

	2023 (Unaudited) HK\$'000	2022 (Unaudited) 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
	<u>128,622</u>	<u>128,606</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. 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 (Unaudited) HK\$'000	2022 (Unaudited) 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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Cost of inventories sold	129,914	137,787
Depreciation 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

9. 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 (Unaudited) HK\$'000	2022 (Unaudited) 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. 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).

11. 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 (Unaudited) HK\$'000	2022 (Unaudited) 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
At the beginning of the period/year	447,921	506,771
Additions	3,981	43,795
Transfer to land use right and prepayments	13,761	–
Disposals	(15,164)	(26,265)
Depreciation	(17,218)	(39,124)
Exchange realignment	(4,368)	(37,256)
	428,913	447,921

13. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. FINANCE LEASE RECEIVABLES

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Gross receivables	36,065	37,432
Less: Allowance for credit losses	(26,263)	(26,999)
	<u>9,802</u>	<u>10,433</u>

The finance lease contracts relates to (i) the lessees obtain the right of use the assets after entering into the contracts. The Group purchased equipment from third party manufacturers or distributors of its choice or of the lessees' choice and leased the assets to the lessees, ownership of the leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and interest accrued under the finance lease contracts; and (ii) the lessees sold their equipment to the Group and leased back the assets, ownership of leased assets will be transferred to the lessees at a minimal purchase option upon the settlement of the receivables and interest accrued under the finance lease arrangements. The lessees obtain the right of use the assets after entering into the arrangements. These finance lease arrangements do not constitute leases for accounting purposes.

The finance lease receivables are secured by the leased assets, certain finance lease receivables have been guaranteed by the ultimate beneficial owner of the lessee. As at 30 September 2023, the Group is in the legal proceedings against the lessee, orders have been granted to the Group for sale properties owned by the guarantor for the recovery of outstanding finance lease receivables.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. 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)
	<hr/>	<hr/>
	–	–
Reimbursement receivables	112,787	112,787
	<hr/>	<hr/>
	112,787	112,787
	<hr/> <hr/>	<hr/> <hr/>

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. 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	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	1,888	2,010
Prepayments	44,557	34,722
Value-added tax recoverable	3,489	13,649
	84,734	77,932

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

(continued)

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. 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)
	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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. 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

20. 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		

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. ISSUED CAPITAL

Ordinary shares of HK\$0.02 each

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

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.

22. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 30 August 2019 so as to attract and retain the best available personnel and to provide additional incentive to the eligible participants under the Scheme.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. SHARE OPTION SCHEME *(continued)*

Under the Scheme, the directors of the Company may at their absolute discretion and subject to the terms of the Scheme, grant options to any full-time employees, directors, consultants or advisors of the Group, or any substantial shareholders of the Group, or any distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group, to subscribe for shares of the Company. The eligibility of any participants to the grant of any options shall be determined by the directors from time to time on the basis of the directors' opinion as to their contribution or potential contribution to the development and growth of the Group.

Under the Scheme, the maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share options schemes of the Company must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the Company's shares in issue from time to time. No options may be granted under the Scheme or any other share options schemes of the Company if this will result in the limit being exceeded.

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) under the Scheme in any 12-month period up to and including the date of grant must not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options to a participant under the Scheme would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. SHARE OPTION SCHEME *(continued)*

Share options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who or whose associate is the grantee). Where any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates would result in the total number of shares issued and to be issued upon exercise of all options already granted (including options exercised, cancelled and outstanding) under the Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value in excess of HK\$5 million, such grant must be approved by the Company's shareholders in general meeting.

The offer of a grant of share options might be accepted in writing within 21 days inclusive of the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the directors may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option with a remittance in favour of the Company within such time as may be specified in the offer (which shall not be later than 21 days from the date of the offer).

The subscription price shall be a price solely determined by the directors of the Company and notified to a participant and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of the Company's share on the date of grant of the option.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. SHARE OPTION SCHEME (continued)

The Scheme shall be valid and effective for a period of ten years commencing on the date of share options grant and expiring on the business day immediately preceding the 10th anniversary thereof, subject to early termination provisions contained in the Scheme.

The maximum number of shares of the Company which may be issued upon exercise of all options that may be granted under the existing Scheme limit is 564,379,709 shares (representing approximately 10% of the issued share capital of the Company as at the date of approval of the Scheme). There is no performance target which must be achieved before any of the options can be exercised.

A summary of the movements in share options under the Share Option Scheme during the six months period ended 30 September 2023 is as follows:

	Weighted Average exercise price HK\$ per share	Number of options 30 September 2023 (Unaudited)	Weighted Average exercise price HK\$ per share	Number of options 31 March 2023 (Audited)
At beginning of period/year	0.505	154,890,000	0.505	163,790,000
Granted during the period/year	0.500	70,000,000	0.500	3,000,000
Lapsed during the period/year	0.500	(42,600,000)	0.500	(11,900,000)
Outstanding at the end of period/year	0.503	182,290,000	0.505	154,890,000

The share options are vested as: (a) first 30% on the second-year anniversary from the date of grant; (b) next 30% on the third-year anniversary from the date of grant; and (c) remaining 40% on the fourth-year anniversary from the date of grant.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods within which the option may be exercised by the grantee under the Scheme as at 30 September 2023 and 31 March 2023 are as follows:

Vesting and exercise period	Exercise price HK\$	Number of options	
		30 September 2023 (Unaudited)	31 March 2023 (Audited)
31 December 2021 to 31 December 2029	0.53	1,692,000	7,692,000
31 December 2022 to 31 December 2029	0.53	1,692,000	1,692,000
31 December 2022 to 31 December 2029	0.53	–	6,000,000
31 March 2023 to 31 March 2031	0.50	1,155,000	7,575,000
16 July 2023 to 16 July 2031	0.50	30,000,000	30,000,000
31 December 2023 to 31 December 2029	0.53	2,256,000	2,256,000
31 December 2023 to 31 December 2029	0.53	–	8,000,000
31 March 2024 to 31 March 2031	0.50	1,155,000	7,575,000
24 January 2024 to 24 January 2032	0.50	300,000	300,000
26 April 2024 to 26 April 2032	0.50	900,000	900,000
16 July 2024 to 16 July 2031	0.50	30,000,000	30,000,000
24 January 2025 to 24 January 2032	0.50	300,000	300,000
31 March 2025 to 31 March 2031	0.50	1,540,000	10,100,000
26 April 2025 to 26 April 2032	0.50	900,000	900,000
16 July 2025 to 16 July 2031	0.50	40,000,000	40,000,000
21 August 2025 to 21 August 2033	0.50	68,800,000	–
24 January 2026 to 24 January 2032	0.50	400,000	400,000
26 April 2026 to 26 April 2032	0.50	1,200,000	1,200,000
		182,290,000	154,890,000

The fair value of the share options granted during the Reporting Period was HK\$9,821,000. The Group recognised an equity-settled share option expense of HK\$4,237,000 (30 September 2022: HK\$5,954,000) during the period ended 30 September 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. RELATED PARTY TRANSACTIONS

Saved as disclosed in the financial statements, the Group had the following material transactions with related parties during the current and prior periods.

	For the six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest expense on loans from a shareholder	12,232	11,148

The interest expenses on loans from a shareholder is due to the substantial shareholder of the Company, Dr. Kan who is an executive director and the Chairman of the Company. As such, Dr. Kan is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Thus, the transactions constitute connected transactions for the Company under the Listing Rules.

- (a) The Company entered into loan facility agreements with Dr. Kan in relation to the provision of standby facilities of HK\$800,000,000 (31 March 2023: HK\$800,000,000) to the Company by Dr. Kan. At 30 September 2023, this facility had been utilised to the extent of HK\$588,981,000 (31 March 2023: HK\$539,737,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. RELATED PARTY TRANSACTIONS *(continued)*

- (b) Compensation of key management personnel of the Group

Details of the compensation of the key management personnel of the Group are as follows:

	For the six months ended 30 September	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Salaries, allowances and other benefits	1,153	1,433
Equity-settled share option expenses	4,094	6,231
	<u>5,247</u>	<u>7,664</u>

24. COMMITMENTS

At the end of reporting period, the Group had outstanding capital commitments as follows:

	30 September 2023 (Unaudited) HK\$'000	31 March 2023 (Audited) HK\$'000
Contracted but not provided for property, plant and equipment	<u>183,792</u>	<u>228,987</u>

25. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information was approved and authorised for issue by the board of directors of the Company on 30 November 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Cyclicity 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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. Reference 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 report.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Company during the Reporting Period entered into by the Group in the ordinary and usual course of business and on normal commercial terms are set out in note 24 to the condensed consolidated financial statements. Each of the related party transactions during the Reporting Period constitutes a connected transaction or continuing connected transaction but is fully exempted and not subject to any of the disclosure requirements under Chapter 14A of the Listing Rules.

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.

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 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 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.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors confirmed that they have fully complied with the Model Code during the six months ended 30 September 2023.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules were as follows:

Directors’ Interests and Short Positions in Shares, Underlying Shares and Debenture of the Company

Name of Directors	Capacity nature of interests	Long position/ Short position	Number of Ordinary shares held	Approximate percentage of shareholding <small>(Note 1)</small>
Dr. Kan Che Kin, Billy Albert	Beneficial owner and interests in controlled corporation	Long position	3,590,603,139 <small>(Note 2)</small>	62.51%
		Short position	169,543,940	2.95%
Mr. Li Kai Yien	Beneficial owner	Long position	200,000	0.01%
Mr. Simon Murray	Beneficial owner	Long position	5,000,000 <small>(Note 3)</small>	0.09%
Dr. Lam, Lee G.	Beneficial owner	Long position	10,000,000 <small>(Note 3)</small>	0.17%

OTHER INFORMATION

Notes:

1. Based on 5,743,797,090 shares of the Company in issue as at 30 September 2023.
2. 5,000,000 shares among these 3,590,603,139 shares are held by Ground Up Profits Limited ("**Ground Up**"). Dr. Kan beneficially owns the entire issued share capital of Ground Up, which in turn beneficially owns 63.3% of the shareholding in the Company. Dr. Kan is the Chairman, an executive Director and chief executive officer of the Company, Dr. Kan is also a director of Ground Up.
3. These shares represent the option shares, which were beneficially owned by Dr. Kan, were granted by Dr. Kan to Mr. Simon Murray ("**Mr. Murray**") and Dr. Lam Lee G. ("**Dr. Lam**"), upon the exercise in full of the rights pursuant to option deed agreements entered between Dr. Kan and each of Mr. Murray and Dr. Lam. Mr. Murray and Dr. Lam, are non-executive Directors of the Company. Details of share options held by the Directors are shown in the section "Share Option Scheme" below.

Directors' Interests in Shares in Associated Corporation of the Company

Name of Director	Name of company in which interests were held	Nature of interests	Number of Shares held	Approximate percentage of interests in the capital of the associated corporation
Dr. Kan Che Kin, Billy Albert	Key Fit Group Limited	Beneficial owner	69,982,878	10.00%

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 September 2023.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2023, to the best of the knowledge and belief of the Directors, Dr. Kan was the only substantial shareholder held 3,590,603,139 shares, representing approximately 62.51% of the total number of the issued shares. Dr. Kan is an executive Director, the Chairman of the Board and the chief executive officer of the Company.

So far as was known to the Directors and chief executives of the Company, no other person, other than Directors or chief executives of the Company whose interests are set out in the section “Directors’ and Chief Executives’ Interests or Short Positions in the Shares, Underlying Shares and Debentures” above, had interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The existing share option scheme was adopted by the Company on 30 August 2019, the purpose of which is to incentivize and reward eligible participants for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company.

The Scheme shall be valid and effective for a period of 10 years commencing on the adoption date, after which period no further options will be granted under the Scheme but the provisions of the Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto. Eligible participants under the Share Option Scheme include, among others, employees, Directors, customers, advisors, consultants, suppliers or service providers of the Group, who may be invited by the Directors to take up options as referred to the Scheme.

OTHER INFORMATION

Further details in relation to share options are set out in note 22 to the condensed consolidated financial statements, details of the movements of the share options during the period under the Scheme are as follows:

	Date of grant	Number of Share Options				As at 30 September 2023	Vesting and exercise period <small>(Note 1)</small>	Exercise Price HK\$
		As at 1 April 2023	Granted during the period	Exercised during the period	Lapsed/ Cancelled during the period			
Director								
Dr. Kan Che Kin, Billy Albert	31 December 2019	5,640,000	-	-	-	5,640,000	Option A	0.53
	16 July 2021	100,000,000	-	-	-	100,000,000	Option D	0.50
Employees								
Ms. Yu Hung Ping	21 August 2023	-	56,000,000	-	-	56,000,000	Option H	0.50
Mr. Wong Guoliang	31 December 2019	20,000,000	-	-	(20,000,000)	-	Option A	0.53
	31 March 2021	20,000,000	-	-	(20,000,000)	-	Option C	0.50
Ms. Chan Mui	24 January 2022	1,000,000	-	-	-	1,000,000	Option F	0.50
	26 April 2022	3,000,000	-	-	-	3,000,000	Option G	0.50
	21 August 2023	-	4,000,000	-	-	4,000,000	Option H	0.50
Other 13 employees	31 March 2021	4,050,000	-	-	(1,400,000)	2,650,000	Option C	0.50
	30 September 2021	1,200,000	-	-	-	1,200,000	Option E	0.50
	21 August 2023	-	10,000,000	-	(1,200,000)	8,800,000	Option H	0.50
		<u>154,890,000</u>	<u>70,000,000</u>	<u>-</u>	<u>(42,600,000)</u>	<u>182,290,000</u>		

During the period ended 30 September 2023, the Company has granted 70,000,000 award shares to six employees pursuant to the Scheme, whilst 42,600,000 option shares were lapsed due to termination of employment contracts. As at 30 September 2023, the total number of shares available for grant under the Scheme was 310,839,709 shares (31 March 2023: 380,839,709 shares), representing 5.41% (31 March 2023: 6.75%) of the total number of issued shares of the Company. The total number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the period divided by the weighted average number of Shares in issue for the year was 1.22%.

OTHER INFORMATION

As at 30 September 2023, pursuant to Rule 17.09(3) of the Listing Rules, the total number of shares available for issue under the scheme under the Scheme was 493,129,709 shares (31 March 2023: 535,729,709), representing 8.6% (31 March 2023: 9.5%) of the of the issued shares of the Company.

Subject to any early termination or/and as may be determined by the Board, the share options granted are valid for a term of ten years commencing from the date of grant, any share options not exercised by the end of validity period shall lapse. As at 30 September 2023, an aggregate of 34,179,000 shares (31 March 2023: 15,384,000 shares) under the Share Option Scheme were vested and entitling the holders to exercise the option in the validity period.

Remuneration committee of the Company reviewed matters related to share schemes under Chapter 17 of the Listing Rules, approved the key terms of any new compensation and benefits plans that have a material financial, reputational and strategic impact on the Company.

Notes:

1. Vesting and exercise period for above share options granted are as follows:

Option A	From 31 December 2019 to 31 December 2029
Option C	From 31 March 2021 to 31 March 2031
Option D	From 16 July 2021 to 16 July 2031
Option E	From 30 September 2021 to 30 September 2031
Option F	From 24 January 2022 to 24 January 2032
Option G	From 26 April 2022 to 26 April 2032
Option H	From 21 August 2023 to 21 August 2033

2. Subject to the rules of the Scheme, the share options are exercisable in the following manner for a period from the date of the acceptance of the share options to 10 years from the date of grant:

Percentage of the Share Options that are vested and exercisable

Period for the exercise of the relevant Share Options

The first 30% (i.e. up to 30% in total)	on the second-year anniversary from the date of grant
Additional 30% (i.e. up to 60% in total)	on the third-year anniversary from the date of grant
Additional 40% (i.e. up to 100% in total)	on the fourth-year anniversary from the date of grant

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "Share Option Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report, at no time during the period was the Company or any of its holding companies or subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the period and up to the date of this report, none of the Directors and directors of the Company's subsidiaries or their respective associates had any interests in any businesses, apart from the Group's business, which compete or are likely to compete either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Listing Rules.

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.

OTHER INFORMATION

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 report.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to all our management and staff members for their ongoing contribution and hard work. We would also like to thank our shareholders for their continuing support.

On behalf of the Board

China HK Power Smart Energy Group Limited

Kan Che Kin, Billy Albert

Chairman

Hong Kong, 30 November 2023