中国港能
CHINA HK POWER

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024

The board (the "**Board**") of directors (the "**Directors**") of China HK Power Smart Energy Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2024 (the "**Current Year**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2024

	Notes	2024 HK$'000	2023 HK$'000
REVENUE	3	**454,491**	211,850
Cost of sales		**(390,844)**	(227,951)
Gross profit/(loss)		**63,647**	(16,101)
Other income and other gains and losses, net		**(18,631)**	1,180
Selling and distribution expenses		**(11,934)**	(8,378)
Administrative expenses		**(100,340)**	(123,393)
(Impairment)/reversal of impairment under expected credit losses model, net		**(4,091)**	742
Impairment of interests in associates		**–**	(205)
Finance costs		**(34,695)**	(34,859)
Provision of penalty charge on legal proceedings		**(39,221)**	–
Share of results of joint ventures		**2,460**	(1,830)
LOSS BEFORE TAX		**(142,805)**	(182,844)
Income tax (expense)/credit	4	**(3,962)**	1,857
LOSS FOR THE YEAR		**(146,767)**	(180,987)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 March 2024

	Notes	**2024** **HK$'000**	2023 HK$'000
LOSS FOR THE YEAR		**(146,767)**	(180,987)
OTHER COMPREHENSIVE INCOME AFTER TAX			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations of:			
– subsidiaries		**(34,945)**	(57,437)
– joint ventures		**(2,625)**	(381)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(37,570)**	(57,818)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(184,337)**	(238,805)
Loss for the year attributable to:			
Owners of the Company		**(139,297)**	(167,194)
Non-controlling interests		**(7,470)**	(13,793)
		(146,767)	(180,987)
Total comprehensive income attributable to:			
Owners of the Company		**(177,353)**	(221,070)
Non-controlling interests		**(6,984)**	(17,735)
		(184,337)	(238,805)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*6*		
– Basic		**(HK2.43 cents)**	(HK2.96 cents)
– Diluted		**(HK2.43 cents)**	(HK2.96 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2024

	Notes	2024 HK$'000	2023 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**432,294**	447,921
Other intangible assets		**4,625**	4,131
Right-of-use assets		**108,039**	105,937
Goodwill	7	**82,308**	–
Interests in joint ventures	8	**76,383**	76,548
Interests in associates		**–**	–
Deposits for acquisition of plant and equipment		**137,913**	116,089
Deposits for acquisition of land use rights		**31,892**	46,165
Other assets		**288,164**	298,426
Statutory deposits		**100**	200
Total non-current assets		**1,161,718**	1,095,417
CURRENT ASSETS			
Inventories		**43,927**	9,033
LNG finance lease receivables		**8,855**	10,433
Loan and reimbursement receivables	9	**112,787**	112,787
Accounts and other receivables, prepayments and deposits	10	**189,388**	77,932
Financial assets at fair value through profit or loss		**475**	4
Bank balances held on behalf of clients		**–**	608
Cash and cash equivalents		**43,629**	31,769
Total current assets		**399,061**	242,566
CURRENT LIABILITIES			
Accounts payables	11	**135,313**	131,342
Other payables and accruals		**566,139**	506,898
Interest-bearing bank borrowings	12	**120,582**	88,323
Lease liabilities		**4,847**	4,762
Tax payable		**6,861**	6,016
Total current liabilities		**833,742**	737,341
NET CURRENT LIABILITIES		**(434,681)**	(494,775)
TOTAL ASSETS LESS CURRENT LIABILITIES		**727,037**	600,642

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 March 2024

	Notes	**2024** *HK$'000*	2023 *HK$'000*
NON-CURRENT LIABILITIES			
Loans from a shareholder		**631,307**	476,430
Interest-bearing bank borrowings	*12*	**22,104**	26,684
Lease liabilities		**8,367**	1,159
Deferred tax liabilities		**5,735**	2,276
Total non-current liabilities		**667,513**	506,549
NET ASSETS		**59,524**	94,093
CAPITAL AND RESERVE			
Share capital		**119,527**	112,876
Reserves		**(82,360)**	(48,124)
Equity attributable to owners of the Company		**37,167**	64,752
Non-controlling interests		**22,357**	29,341
TOTAL EQUITY		**59,524**	94,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

China HK Power Smart Energy Group Limited (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 registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1– 1111, Cayman Islands. The principal place of business of the Company in Hong Kong is located at 8th Floor, St. John's Building, 33 Garden Road, Central, Hong Kong.

The Company is an investment holding company, its subsidiaries are principally engaged in (i) the sales and distribution of natural gas ("**NG**") in the People's Republic of China (the "**PRC**"), including wholesale of liquefied natural gas ("**LNG**") and pipeline natural gas ("**PNG**"), the point-to-point supply of LNG through industrial gasification stations, dewar bottle filling stations and automobile gas stations, the regional gas pipeline networks that provide pipeline natural gas for rural industrial, commercial and civilian, the supplement supply to the national natural gas pipeline networks, and the distribution of LNG (logistic) services; (ii) the development and production of new energy technology products and integrated solutions in PRC; (iii) the financial services business, including the provision of finance leasing services for LNG vehicles and equipment as approved by Chinese Ministry of Foreign Trade and Economic Cooperation; (iv) Type 9 (asset management) regulated activities with the licences under the Securities and Futures Ordinance ("**SFO**") issued by the Securities and Future Commission ("**SFC**") in Hong Kong, and (v) money lending business through a valid money lenders licence under the Money Lenders Ordinance in Hong Kong.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited. These consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are remeasured at fair value at end of each reporting period, as explained in the accounting policies set out blow. These consolidated financial statements are presented in Hong Kong dollar ("**HK$**") and all values are rounded to the nearest thousand unless otherwise stated.

(b) Application of new and amendments to HKFRSs

In the current year, the Group has adopted the following new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2023 as mentioned below.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Disclosure of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impact on application of Amendments to HKAS1 and HKFRS Practise Statement 2 "Disclosure of Accounting Policies"

The Group has adopted Amendments to HKAS1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materially Judgements" (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materially process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 2.4 to the consolidated financial statements.

(c) Adoption of the going concern basis

The Group incurred a loss of approximately HK$146,767,000 during the year ended 31 March 2024. As at 31 March 2024, the Group had net current liabilities of HK$434,681,000 and bank and cash balances of approximately HK$43,629,000, while the outstanding bank borrowings amounted to approximately HK$142,686,000, of which approximately HK$120,582,000 were originally due within one year.

These events and conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, the directors of the Company had adopted the going concern basis in the preparation of these consolidated financial statements of the Group based on the measures including but not limited to the following:

(1) Dr. Kan Che Kin, Billy Albert ("Dr. Kan"), being the beneficial owner and controlling shareholder of the Company, has committed to providing continuing financial support to the Group until 30 June 2025;

(2) The Company has entered into loan facility agreements with Dr. Kan, which included standby facilities of HK$800,000,000. As at 31 March 2024, the Group had unutilised facilities of approximately HK$81,344,000;

(3) On 7 March 2024, the Company and Dr. Kan entered into a Loan Capitalisation Agreement, pursuant to which a shareholder loan of HK$300,000,000 was capitalised by allotting capitalisation shares to Dr. Kan, with the transaction taking place on 3 May 2024. Considering this capitalisation, as at 3 May 2024, the unutilised facilities of the loan facility increased to approximately HK$381,344,000;

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

(5) The Group is actively negotiating with several banks in the Mainland China to obtain a new credit line to finance the Group's operations.

After taking into consideration of the above factors and funds expected to be generated internally based on the directors' estimation on the future cash flow, which cover a period of not less than twelve months from 31 March 2024, of the Group, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future and consider that it is appropriate for the consolidated financial statements to be prepared on a going concern basis.

3. REVENUE AND SEGMENT INFORMATION

An analysis of revenue is as follows:

	2024	2023
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales and distribution of NG	**313,145**	139,526
Provision of LNG logistic services	**55,634**	72,267
Sales and distribution of new energy products	**8,752**	–
Development of new energy integrated solution	**74,812**	–
	452,343	211,793
Revenue from other sources		
Interest income from loan financing	**2,148**	57
	454,491	211,850

The segment information reported externally was analysed on the basis of their products and services provided by the Group's operating divisions which is consistent with the internal information that is regularly reviewed by the executive directors of the Company, the chief operating decision makers ("**CODM**"), for the purposes of resource allocation and assessment of performance. Segment profit represents the profit earned by each segment without allocation of corporate and other unallocated expenses, share of results of associates and joint ventures, other income, other gains and losses and finance costs. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group around differences in products and services.

During the current year, the Group's principal activities of the operating and reportable segments are re-grouped due to internal reorganisation and change of internal financial reporting to the CODM, as follows:

(a) Sales and distribution of NG including wholesale of LNG and PNG, point-to-point supply of LNG, automobile gas stations, LNG pipeline network and provision of LNG logistic services in the PRC ("**NG business**") (2023: the segment was called LNG business as there was no wholesale of PNG business during the year ended 31 March 2023);

(b) The development and production of new energy technology products and integrated solutions in PRC ("**New energy business**"); and

(c) financial services business, including the provision of finance leasing services for LNG vehicles and equipment in the PRC, the provision of asset management services and money lending business in Hong Kong ("**Financial services**").

For management purposes, the Group is organised into business units based on their products and services and has three reporting segments as follows:

2024	**New energy business** *HK$'000*	**NG business** *HK$'000*	**Financial services** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	**83,564**	**477,153**	**2,148**	**562,865**
Intersegment sales	**–**	**(108,374)**	**–**	**(108,374)**
Revenue from external customers	**83,564**	**368,779**	**2,148**	**454,491**
Segment results before depreciation and amortisation	**30,541**	**(57,420)**	**(11,731)**	**(38,610)**
Depreciation and amortisation	**(621)**	**(42,042)**	**(2,873)**	**(45,536)**
Segment results	**29,920**	**(99,462)**	**(14,604)**	**(84,146)**

2023	**New energy business** *HK$'000*	**NG business** *HK$'000*	**Financial services** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	–	276,486	57	276,543
Inter-company sales	–	(64,693)	–	(64,693)
Revenue from external customers	–	211,793	57	211,850
Segment results before depreciation and amortisation	–	(65,136)	(6,615)	(71,751)
Depreciation and amortisation	–	(69,065)	(2,928)	(71,993)
Segment results	–	(134,201)	(9,543)	(143,744)

4. INCOME TAX (EXPENSE)/CREDIT

	2024	2023
	HK$'000	*HK$'000*
Income tax (expense)/credit comprises:		
Current income tax		
– The PRC Enterprise Income Tax	**(27)**	–
Over-provision in prior years		
– Hong Kong Profit Tax	**–**	1,162
Deferred taxation	**(3,935)**	695
Total tax (expense)/credit	**(3,962)**	1,857

Under the Law of The PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of The PRC subsidiaries of NG business is 25% for both years.

The PRC subsidiaries of new energy business are recognised as New and Technology Enterprise which are entitled to a preferential PRC Enterprise Income Tax rate of 15%.

5. DIVIDENDS

No dividends was proposed or paid for ordinary shareholders of the Company during the year ended 31 March 2024 and 2023, nor has any dividend been propose since the end of the reporting period.

6. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 5,731,832,419 (2023: 5,643,797,090) in issue during the year.

The diluted loss per share for the years ended 31 March 2024 and 2023 is equal to the basic loss per share.

The computation of diluted loss per share does not assume the exercise of the outstanding share options since the assumed conversion would result in decrease in loss per share for the years ended 31 March 2024 and 2023.

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

	2024	2023
	HK$'000	*HK$'000*
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	**(139,297)**	(167,194)

	Number of shares	
	2024	2023
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**5,731,832,419**	5,643,797,090

7. BUSINESS COMBINATION

The Group entered into a sale and purchase agreement on 21 December 2023 with two independent third parties (the "**Oasetech Vendors**"), pursuant to which the Group conditionally agreed to purchase, and the Oasetech Vendors conditionally agreed to sell, the entire issued share capital of Oasetech Limited, which together with its subsidiaries (collectively, the "**Oasetech Group**") are principally engaged in the development and production of new energy products and integrated solutions. The acquisition was completed on 2 February 2024.

The fair values of the identifiable assets and liabilities of Oasetech Group at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Total non-current assets	**7,305**
Total current assets	**66,425**
Total current liabilities	**(53,810)**
Total non-current liabilities	**(2,228)**
Total identifiable net assets at fair value	**17,692**
Goodwill on acquisition	**82,308**
Satisfied by issue of new shares	**100,000**

The consideration for the acquisition was HK$100,000,000, settled by allotment and issue of 232,558,140 ordinary shares at fair value of HK$0.43 per share which is determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date.

8. INTERESTS IN JOINT VENTURES

	2024 *HK$'000*	2023 *HK$'000*
Share of net assets	**76,383**	76,548

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

Name	Particulars of issued equity held	Place of establishment and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
港海能源(珠海)有限公司 (Formerly known as 港海能源(上海)有限公司)	Registered capital of RMB25,500,000 (2023: RMB25,500,000)	PRC	51 (2023: 51)	(Note)	51 (2023: 51)	Sales and distribution of LNG
石家莊盛冉燃氣貿易有限公司	Registered capital of RMB80,000,000 (2023: RMB80,000,000)	PRC	50 (2023: 50)	50 (2023: 50)	50 (2023: 50)	Trading of natural gas and transportation

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

The joint ventures are accounted for using the equity method.

9. LOAN AND REIMBURSEMENT RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Loan receivables	**135,068**	142,431
Less: Allowance for credit losses	**(135,068)**	(142,431)
	–	–
Reimbursement receivables	**112,787**	112,787
	112,787	112,787

Loan receivables relate to 2 (2023: 2) customers in money lending business. The Group seeks to maintain strict control over its outstanding loan receivables so as to minimise credit risk. Loan receivables are charged at the effective interest rates mutually agreed with contracting parties at fixed rates of 1% to 4.6% (2023: 1% to 4.6%) per annum. The loan receivables are secured.

The Group holds collateral or other credit enhancement over its loan and reimbursement receivables balance of HK$135,068,000 (2023: HK$142,431,000).

Included in the loan receivables are loans of HK$112,787,000 (2023: HK$112,787,000) to a former non-controlling shareholder of Key Fit Group Limited, a 60.4%-owned subsidiary of the Company, the loans are collateralised with shares of Key Fit Group Limited and the Company. Dr. Kan provided personal undertaking to purchase the aforementioned loans as at 31 March 2024 and 2023, should the loans are not recovered in full by the Group, accordingly the Group recognises reimbursement receivable of HK$112,787,000 (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 the loans.

10. ACCOUNTS AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Notes	**2024** *HK$'000*	2023 *HK$'000*
Accounts receivables arising from securities brokerage business, net of allowance for credit losses	*(a)*		
Cash clients		**–**	–
Margin clients		**–**	–
Accounts receivables arising from NG business and new energy business, net of allowance for credit losses	*(b)*	**79,978**	9,231
Total accounts receivables		**79,978**	9,231
Prepayments		**54,504**	34,722
Deposits and other receivables		**39,787**	18,320
Loans to third parties		**1,940**	2,010
Value-added tax recoverable		**13,179**	13,649
		189,388	77,932

Notes:

(a) The Group ceased to carry on the securities brokerage business during the years ended 31 March 2024 and 2023, and had returned client assets during the year ended 31 March 2024.

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

	2024 *HK$'000*	2023 *HK$'000*
Within 3 months	**55,991**	8,721
4 to 6 months	**18,513**	40
7 to 9 months	**1,942**	82
10 to 12 months	**162**	114
Over 12 months	**3,370**	274
	79,978	9,231

11. ACCOUNTS PAYABLES

	Notes	2024 HK$'000	2023 HK$'000
Accounts payables arising from securities brokerage business	*(a)*		
Cash clients		**–**	473
Margin clients		**–**	135
Accounts payables arising from NG business and New Energy business	*(b)*	**135,313**	130,734
		135,313	131,342

Notes:

(a) The Group ceased to carry on the securities brokerage business during the years ended 31 March 2024 and 2023, and had returned client assets during the year ended 31 March 2024.

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

	2024 HK$'000	2023 HK$'000
Within 3 months	**19,010**	33,963
4 to 6 months	**26,012**	10,031
Over 6 months	**90,291**	86,740
	135,313	130,734

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

12. INTEREST-BEARING BANK BORROWINGS

The Group's bank borrowings are repayable as follows:

	2024 HK$'000	2023 HK$'000
Within one year	**120,582**	88,323
In the second to fifth year inclusive	**14,648**	15,170
After five years	**7,456**	11,514
	142,686	115,007
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(120,582)**	(88,323)
Amount due for settlement after 12 months	**22,104**	26,684

At 31 March 2024, the bank borrowings are supported by corporate guarantee provided by certain of the Company's wholly-owned subsidiaries, personal guarantee provided by certain non-controlling shareholders of subsidiaries, and land use rights with carrying amount of approximately HK$69,829,000 (2023: approximately HK$66,924,000), and property, plant and equipment with carrying amount of approximately HK$16,102,000 (2023: approximately HK$18,591,000).

All the Group's bank borrowings are denominated in Renminbi.

13. EVENT AFTER REPORTING PERIOD

On 7 March 2024, the Company and Dr. Kan entered into the Loan Capitalisation Agreement, pursuant to which the parties conditionally agreed that Dr. Kan shall subscribe for, and the Company shall allot and issue, a total of 697,674,419 Capitalisation Shares at the Capitalisation Price of HK$0.43 per Capitalisation Share. The aggregate Capitalisation Price of all Capitalisation Shares payable by Dr. Kan shall be satisfied by capitalising and setting off against the Repayment Amount of HK$300,000,000 upon completion of the transaction, Completion of the transaction took place on 3 May 2024.

Please refer to the announcement dated 7 March 2024 and 3 May 2024 and circular dated 27 March 2024 for details.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the year ended 31 March 2024, the supply concerns in the international natural gas ("**NG**") market caused by the geopolitical risks of the Russia-Ukraine conflict significantly alleviated. The global tight supply situation has eased, leading to a more stable supply-demand balance and a decline in international NG prices. Considering that NG prices remained relatively high and the winter was comparatively warmer than in previous years, the NG industry did not recover as quickly as expected. However, with the overall economic environment in China gradually improving, the NG industry still recorded growth this year. China's NG consumption reached 394.5 billion cubic meters, an increase of 7.6% compared to the year ended 31 March 2023 (the "**Previous Year**").

The Chinese government actively participates in global governance to address climate change and has set forth the "3060" dual carbon targets, promoting the widespread adoption of low-carbon energy and energy-saving emission reduction initiatives. Midway through the Current Year, the National Development and Reform Commission issued the "Guiding Opinions on Establishing and Improving the natural gas Upstream and Downstream Price Linkage Mechanism" (Document No. 682 (2023)), guiding various regions to initiate or accelerate the reform of NG price linkage. This is favorable for gas companies' margin recovery, with demand gradually rebounding and gas volume increasing progressively. In early February 2024, the National Development and Reform Commission, together with ten ministries including the Ministry of Housing and Urban-Rural Development, issued the "Guiding Catalogue for Green and Low-Carbon Transition Industries (2024 Edition)," which clearly defines categories such as "energy-saving and carbon-reduction industries, environmental protection industries, resource recycling industries, green and low-carbon energy transition, ecological protection, restoration and utilization, green infrastructure upgrades, and green services." It requires local governments and departments to introduce and refine relevant policies and measures according to their regional and sectoral development priorities, encouraging support for production, circulation, consumption, and other stages, thereby creating a favorable environment for the development of related industries.

Building upon existing policies, the Chinese government continues to introduce subsequent policies and intensify their implementation. This will further consolidate China's leading position in the global energy market and reinforce its role as a key player in the current green energy revolution. NG, in collaboration with various new energy sources and new energy-saving and emission-reduction technologies, continues to play a positive role in advancing the implementation of the dual carbon targets.

Looking ahead, clean energy, supported by new business models and technological applications, will provide more opportunities for the energy industry. The new wave of technological and industrial transformation has driven further innovation and application of energy technologies. Advances in energy conversion, energy storage technology, and energy-saving emission-reduction technologies have gradually reduced costs and improved efficiency, making the role of clean energy in leading diversified and intelligent energy development trends even more prominent.

BUSINESS REVIEW

In the Current Year, under the guidance of the Chinese government's "14th Five– Year Plan" for energy development and the 3060 dual carbon targets, the clean energy industry showed a trend of restorative growth. Due to various factors across the industry chain and the ever-changing supply-demand relationship, as well as NG market prices that, although lower than the Previous Year, remained higher than in past years, consumer demand exhibited moderate growth. The industry faced both opportunities and challenges. In this environment, our company focused closely on the operational goals set at the beginning of the year. Recognizing the Chinese government's support for the new energy industry, such as smart heating, comprehensive energy efficiency management, and energy-saving and emission-reduction equipment manufacturing, and taking advantage of the experiences from our new management, which joined the Company in October 2023, the Company decided to capture opportunities in the new energy sector. The Company conducted an in-depth analysis of the issues and challenges in the NG and new energy businesses, optimized the industrial layout, innovated business models, optimized production capacity, improved operational models, and continuously enhanced our management capabilities. While actively developing the NG market, we also vigorously promote new energy business, further enhancing our overall competitiveness.

In the Current Year, the company achieved breakthroughs in new business areas in the second half of the year, forming three business segments. In addition to the original sales and distribution of NG and financial services, the Company added a new energy business.

The operations of each business segment are as follows:

SALES AND DISTRIBUTION OF NG

Point-to-point Supply of LNG (retail)

The point-to-point supply of LNG (retail) transmits LNG from energy centers to end-users including residential users, industrial and commercial enterprises and automobile drivers by way of gas stations, pipeline networks and dewar bottles to meet their regular energy needs.

As of 31 March 2024, the Company recorded a LNG retail volume of 21,610 tons (2023: 12,843 tons), the income generated from point-to-point supply of LNG (retail) business amounted approximately HK$138,837,000 (2023: HK$113,166,000), contribute 30.5% to the total revenue of the Company for the Current Year.

Wholesale of LNG and PNG (trade)

In the Current Year, in addition to continuing our traditional LNG trading business, the Company achieved significant breakthroughs by leveraging resource advantages, initiating PNG trading activities, which led to a substantial increase in NG trading volume.

As of 31 March 2024, the Company recorded an NG trade volume of 35,229 tons (2023: 3,744 tons), with wholesale LNG and PNG (trade) revenue of approximately HK$174,308,000 (2023: HK$26,360,000), contributing 38.4% to our total revenue for the Current Year. Within the Current Year's LNG and PNG trading business, LNG trading recorded a sales volume of 19,911 tons, accounting for 56.5% of the total NG trading volume. LNG trading revenue was approximately HK$94,525,000, representing 54.2% of the total NG trading revenue. PNG trading recorded a sales volume of 15,318 tons, accounting for 43.5% of the total NG trading volume. PNG trading revenue was approximately HK$79, 783,000, representing 45.8% of the total NG trading revenue.

Distribution of LNG (logistics)

Equipped with a great number of natural gas transportation trucks and LNG mobile storage containers that are specially made for the distribution of LNG, the delivery fleets of the Company provide road freight transportation services for external clients and for the Group companies. The distribution delivery fleets enable the Company to distribute LNG from upstream suppliers to external customers and energy centers in a safe and fast way at low costs.

As of 31 March 2024, the delivery fleets transmitted a total of 74,995,000 ton-kilometers (2023: 119,399,000 ton-kilometers) among which 93% were delivered for external customers, the income generated from distribution of LNG (logistics) business amounted approximately HK$55,634,000 (2023: HK$72,267,000), contribute 12.2% to the total revenue of the Company for the Current Year.

LNG Pipeline Network

The Company undertakes LNG pipeline engineering projects, constructing pressure pipelines, gate stations, and pressure regulating stations to connect the retail and end-user markets. Through comprehensive gas transmission facilities, we aim to expand our downstream user base.

As of 31 March 2024, the Company held 34 effective LNG township franchise rights granted by the PRC local governments in Hubei, Jiangxi and Anhui provinces, the franchise rights allow the Company to be the sole operator in the franchised zone in the supply of LNG. As of the year end date, the Company has received 9,119 applications from household users for LNG pipeline connection in Yangzhai, Changling, Chenxiang, Yudian, Caihe and Haodian in Guangshui City of Hubei province, managed possess to connect 7,176 household users. Income generated from the supply of LNG to residential users has been included in the point-to-point supply of LNG (retail) income for the Current Year.

Infrastructure Projects

During the Current Year, the Company adhered to the philosophy of focusing primarily on centralized energy development, supplemented by distributed management. The Company strategically invested in key locations such as Hubei Huanggang, Hubei Guangshui, Anhui Lu'an, and Jiangxi Jingdezhen, actively promoting resources around large-scale LNG bases integrated with energy storage and energy management.

As at 31 March 2024, the Company owned two automotive gas refueling stations, which operate in collaboration with a wholly-owned subsidiary of China National Offshore Oil Corporation ("CNOOC"). By leveraging the unique advantages of CNOOC's procurement platform, the Company's automotive gas refueling stations effectively reduced LNG procurement costs, thereby promoting sales growth through more competitive pricing. CNOOC, as the sole LNG supplier responsible for the daily operations of the refueling stations, shares the operational performance based on the agreed terms and conditions.

NEW ENERGY BUSINESS

During the Current Year, China's new energy industry developed rapidly, and the Company actively aligned with this trend by strategically expanding into industries such as smart heating, comprehensive energy efficiency management, and energy-saving and emission-reduction equipment manufacturing. The Company focused on provinces like Shaanxi and Jiangsu, establishing specialized enterprises and actively expanding the market, achieving breakthroughs in the new energy business.

The Company utilized cutting-edge technologies such as cloud data, the Internet of Things, and Al intelligence. By using unique big data Al algorithm models, efficient energy Building Information Modeling ("**BIM**") architecture, and the Intelligent Distributed Heating ("**IDH**") platform, the Company created an intelligent energy management system. Leveraging these core digital intelligence platforms, the Company provided comprehensive energy management solutions equipped with Al intelligence technology in fields like smart heating management and comprehensive energy efficiency management. These solutions significantly reduced energy consumption and operational costs for customers' energy projects, creating a win-win situation for both the government and users.

During the Current Year, the Company's heating project in Xi'an Shaanxi, used the Intelligent Comprehensive Energy ("**ICE**") solution. The ICE system, with its automatic temperature tracking and balance adjustment functions, intelligently adjusted heat source parameters and household valve openings based on weather forecasts for the next three hours and users' real-time indoor temperatures. This on-demand heating significantly improved energy utilization efficiency while greatly enhancing user satisfaction.

During the Current Year, the Company's new energy business recorded revenue of approximately HK$83,564,000, accounting for 18.4% of the Company's total revenue for the year. All related revenue was recognised in the second half of the Current Year.

Development of New Energy Integrated Solution

As of 31 March 2024, the development and application of comprehensive new energy solutions recorded revenue of approximately HK$74,812,000. In the field of comprehensive new energy solutions, the smart heating business provided services covering approximately 2.2 million square meters, recording revenue of approximately HK$72,757,000. The comprehensive energy efficiency management business recorded revenue of approximately HK$2,055,000.

Sales and Distribution of New Energy Products

As at 31 March 2024, the sales and distribution of new energy products recorded revenue of approximately HK$8,752,000.

FINANCIAL SERVICES BUSINESS

The financial services businesses of the Company including: (i) the provision of finance leasing services typically for LNG vehicles and equipment that has been approved by the Chinese Ministry of Foreign Trade and Economic Cooperation; (ii) the provision of securities brokerage business, discretionary investment management and fund management services in Hong Kong through an indirect subsidiary of the Company namely China Hong Kong Capital Asset Management Company Limited ("**CHK CAM**"), which is licensed by the SFC to conduct Type 9 (asset management) regulated activities; and (iii) money lending business through an indirect subsidiary holding a valid money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws) of Hong Kong. Given the unpromising economic outlook, the Company's management has adopted a cautious attitude towards increasing investment in the financial services business.

During the Previous Year, the Company has ceased the securities brokerage business, the unclaimed client cash and securities had been lodged to the High Court by CHK CAM on 14 June 2023.

FINANCIAL REVIEW

Revenue

For the Current Year, the Company recorded the revenue from operations in an amount of approximately HK$454.5 million, compared to that of approximately HK$211.9 million for the Previous Year, representing a significant increase of 114.5%. This growth was primarily driven by the sales and distribution of NG, with revenue increasing by approximately HK$173.6 million or 124.4%. Additionally, the new energy business which commencing in the second half of the Current Year, contributed approximately HK$83.6 million to the total revenue in the Current Year.

The Current Year saw notable changes in revenue structure. Revenue from NG Business accounted for 81.1% of total revenue in the Current Year, decreased by 18.8% from 99.9% in the Previous Year. The new energy business accounted for 18.4% of total revenue.

Income from the point-to-point supply of LNG (retail) business was approximately HK$138.8 million for the Current Year, compare to that of approximately HK$113.2 million for the Previous Year, representing a increase of 22.6%. The increase in retail income was mainly due to the increase in the number of retail customers.

Income generated from the wholesale of LNG and PNG (trade) business was approximately HK$174.3 million for the Current Year, compared to that of approximately HK$26.4 million for the Previous Year, representing a increase of 561.3%. The increase in trade income was mainly due to rebound in domestic NG consumption and the expansion of distribution channels.

Income generated from the distribution of LNG (logistics) business was approximately HK$55.6 million for the Current Year, compared to that of approximately HK$72.3 million for the Previous Year, representing a decrease of 23.0%. The decrease in logistics income was mainly due to the market competition and decreased in demand from our customers.

Income generated from the sales and distribution of new energy products and the development of new energy integrated solution was approximately HK$8.8 million and 74.8 million for the Current Year respectively. It was new business segment developed in the second half of the Current Year, no such income was recognised in the Precious Year.

Income from the financial services business was HK$2,148,000 for the Current Year, compare to that of HK$57,000 for the Previous Year. Financial services income primarily relates to interest income from money lending business.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

The overall gross profit of the Company for the Current Year was approximately HK$63.6 million compared to gross loss of approximately HK$16.1 million for the Previous Year. The turnaround from gross loss to gross profit for Current Year was mainly due to (i) an increase in gross profit from the LNG supply business, driven by favorable LNG procurement prices obtained through the Company's cooperation with CNOOC; (ii) cost-saving measures implemented in the LNG logistics business by restructuring loss-making business units to minimize the impact of direct costs; (iii) a decline in national LNG prices, which reduced the LNG consumption costs in the logistics business; and (iv) significant gross profit contributions from the newly developed new energy business. The gross profit margin was 14.0% in Current Year as compared to gross loss margin of 7.6% for the Previous Year, indicating a favorable improvement as a result of the contribution of the new energy business and cost reduction and operation efficiency improvements in the LNG business.

Other Income and Other Gains and Losses

Other income and other gains and losses of the Company mainly comprise the net effect of loss on disposal of property, plant and equipment, loss from changes in fair value of financial assets at fair value through profit or loss, loss on deregistration of a subsidiary, bank interest, reversal of impairment of loan receivables and government subsidy. Net losses of income and other gains and losses amounted to approximately HK$18.6 million for the Current Year as compared to net gain of other income and other gains and losses approximately HK$1.2 million for the Previous Year, it was mainly due to increase in loss on disposal of items of property, plant and equipment and loss on deregistration of a subsidiary.

Selling and Distribution Expenses

The selling and distribution expenses of the Company mainly comprise salaries and benefits of sales and marketing staff, advertising and promotion expenses. Selling and distribution expenses for the Current Year increased by 42.4% to approximately HK$11.9 million as compared to that of approximately HK$8.4 million for the Previous Year. The increase was mainly due to increase in employee compensation and marketing expenses incurred for customer development.

Administrative Expenses

The administrative expenses of the Company mainly comprises administrative employee related costs including salaries of directors and staffs, employer's contributions for social insurance and pension funds, rental and office expenses, amortisation on right-of-use assets and depreciation on property, plant and equipment. The administrative expenses for the Current Year decreased by 18.7% to approximately HK$100.3 million as compared to that of approximately HK$123.4 million for the Previous Year. The decrease was mainly due to effective cost reduction and efficiency enhancement measure implemented by the Company.

Finance Costs

The finance costs of the Company mainly comprised of interest on lease liabilities and interest on bank and other borrowings. Finance costs for the Current Year decreased by 0.6% to approximately HK$34.7 million compared to that of approximately HK$34.9 million for the Previous Year.

Impairment Losses Under Expected Credit Loss Model, net of reversal

As at 31 March 2024, the Company engaged an independent qualified valuer to determine the expected credit loss of the Company in respect of finance lease receivables, accounts, and other receivables (the "**Receivables**"). During the Current Year, an impairment of approximately HK$4.1 million (2023: a reversal of HK$0.7 million) was recognized for the Current Year.

Impairment Loss on Non-Financial Assets

The impairment test is performed on the Company's NG businesses segment (the "**CGU**") using cash flow projections approved by the management covering a period of ten years, impairment loss occurs when the recoverable amount is below the carrying value. The major revenue streams of the CGU included in the cash flow projections comprising point-to-point supply of LNG (retail) and distribution of LNG (logistics) businesses.

Based on the impairment test, the recoverable amount of the CGU is excess its carrying value, as such, no impairment loss was recognised for the Current Year.

Income Tax (Expense)/Credit

Income tax (expense)/credit mainly comprise 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 expense of the Company for the Current Year amounted to approximately HK$4.0 million as compared to the income tax credit of HK$1.9 million for the Previous Year. The increase in income tax expense was mainly due to deferred income tax expense recognised by the Company's PRC subsidiaries, arising from timing differences in depreciation policies in PRC.

Loss for The Year

As a combined result of the factors discussed above, the Company's net loss for the Current Year was approximately HK$146.8 million as compared to a net loss of approximately HK$181.0 million for the Previous Year.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2024 (2023: Nil).

Property, Plant and Equipment

As at 31 March 2024, the property, plant and equipment of the Group amounted to approximately HK$432.3 million mainly consisting approximately HK$224.2 million equipment and machinery, approximately HK$68.7 million motor vehicles, approximately HK$85.8 million building and approximately HK$53.6 million construction in progress and other assets.

Loan and Reimbursement Receivables

As at 31 March 2024, the loan and reimbursement receivables of the Company amounted to approximately HK$112.8 million (2023: HK$112.8 million), are due from two borrowers made in the ordinary course of the Company's money lending business some years ago, which are secured by legal charges over the borrowers' assets.

The loan and reimbursement receivables comprise outstanding loan principal amount and accrued interest. Dr. Kan, the substantial shareholder of the Company, has undertaken with the Company that the Company reserves the right to execute a reimbursement receivable on the aforementioned loan principal and interest if the borrowers fail to repay. Senior management of the Company has always been monitoring closely the recovery of the loans under the previous adverse condition.

Accounts and Other Receivables

As at 31 March 2024, the accounts and other receivables of the Company amounted to approximately HK$189.4 million (2023: HK$77.9 million), comprises accounts receivable, value-added tax recoverable, prepayments, deposits and other receivables. The increase in the accounts and other receivables was mainly due to increase in account receivables resulting from newly added new energy business.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 31 March 2024, the cash and cash equivalents of the Company amounted to approximately HK$43.6 million (2023: HK$31.8 million), mainly denominated in Hong Kong Dollar and Renminbi.

As at 31 March 2024, total interest-bearing bank and other borrowings of the Company amounted to approximately HK$774.0 million (2023: HK$591.4 million), mainly comprises the loans due to a substantial shareholder of the Company and bank borrowings. The interest-bearing bank and other borrowings were mainly used to finance working capital and infrastructure projects of the Company. The maturity profile was spread over a period, with approximately HK$120.6 million repayable within one year and approximately HK$653.4 million repayable after one year.

During the Current Year, the Company financed its operations and investment activities through a combination of operating cashflows and interest-bearing borrowings. As at 31 March 2024, equity attributable to owners of the Company amounted to approximately HK$37.2 million (2023: HK$64.8 million).

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 year 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. As the result of the decrease in equity attributable to owners of the Company, the gearing ratio as at 31 March 2024 was increased to 1,300.3% (2023: 628.6%).

PLEDGE OF ASSETS

As at 31 March 2024, the Company's land use rights, certain construction in progress and equipment and machinery with an aggregate carrying amount of approximately HK$85.9 million (2023: HK$85.5 million) were pledged to secure certain loans and banking facilities granted to the Company.

CAPITAL MANAGEMENT

The objective of the Company's capital management is to ensure adequate return and to uphold the assets of the Company to continue as going concern. The Company actively and regularly reviews and adjust capital structure to cope with changes in economic conditions.

CAPITAL COMMITMENT

As at 31 March 2024, the total capital commitments by the Company amounted to approximately HK$143.6 million (2023: HK$229.0 million), which were mainly contracted commitments in respect of project construction and purchase of machinery and equipment.

CONTINGENT LIABILITIES

The Company had no significant contingent liabilities as at 31 March 2024 (2023: Nil).

RISK MANAGEMENT AND INTERNAL CONTROL

The Company established a risk management framework during the Current Year to identify risks, set risk appetites, and develop risk response plans. To prevent and identify risks, the Company set up an internal audit department and a safety supervision department during the Current Year, and has commenced risk identification and management work. Management plans to review this framework periodically to determine the effectiveness of the risk management procedures. Management also discusses risk response measures based on the risk issues reported by the internal audit department and the safety supervision department. The Company engaged an external consultant to perform annual review on the assessment of the internal control system and to make recommendations for improving and strengthening the system for the Current Year, no significant area of concern that may affect the financial, operational, compliance, control and risk management of the Company has been identified. The Board considered the Company's internal control system to be effective and adequate.

The Company has various financial assets and financial liabilities arising from business operations, we intend to achieve an appropriate balance between these risks and the investment returns so as to minimise the potential adverse impact on the business and financial condition. The NG business, new energy business and financial services business of the Company faces a variety of risks in its operations, including credit risk, liquidity risk, interest rate risk, operational risk, and legal and compliance risk. The Company recognises the importance of effective risk management for identifying and mitigating these risks. The Company manages the risks through comprehensive due diligence on customers, information review and multi-level approval process to the characteristics of its business operations. The Company will continue to monitor and review the operation and performance of the risk management and improve from time to time to adapt to the changes in market conditions and the regulatory environment.

Macroeconomic Fluctuation and Industry Cyclicality Risks

The Company is engaged in the NG industry, the market demand for NG 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, NG 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, 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 factors that may affect exchange rate fluctuations, including but not limited to changes in the economic environment, policy changes, and geopolitical events and considers taking appropriate hedging measures when necessary.

Shortage In the Supply of NG and Risk of Significant Increase In Prices

The Company's operation process depends on the timely and stable supply of NG, 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 NG prices.

LEGAL PROCEEDINGS

On 9 May 2024, the Company received a "Civil Ruling" dated 25 April 2024 issued by the Tianjin Maritime Court of PRC (the "**Court**") regarding claims brought by an independent creditor of NG segment. Pursuant to the Civil Ruling, Great Trend Investment Management (Shanghai) Company Limited*, an indirect wholly-owned subsidiary of the Company, was liable to pay the creditor the outstanding balance, along with a penalty charge and overdue interest. The penalty charge was amounting to approximately HK$39,221,000. Both the Company and its wholly-owned subsidiary, China LNG Limited, act as guarantors for the outstanding balance and the penalty charge.

For prudent purposes based on legal advice, a full provision for penalty expenses in the amount of approximately HK$39,221,000 was recognised during the year ended 31 March 2024.

Please refer to the announcement dated 14 June 2024 and 19 June 2024 for details.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2024, the Company had a staff roster of 478 members (2023: 336). The significant increase in the number of employees was mainly due to the Company's development of the new energy business and acquisition of Oasetech during the Current Year. The related staff costs (including directors' emoluments) for the Current Year amounted to approximately HK$59.7 million (2023: HK$59.4 million), representing a increase of 0.5%. The remuneration of employees was in line with market trend and commensurate to the levels of pay in the industry and to the performance of individual employees that are regularly reviewed of the Company. In addition to basic salary, employees of the Company are entitled to other benefits including those under social insurance contribution, employee provident fund schemes and share option scheme.

The emoluments of the Directors and senior management is determined by reference to their performance for the year, 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.

Human resources are the most valuable asset to the Company, we always attaches great importance to the personal development of our employees, we believes the maintaining enthusiasm of employees is the key to continuous success, hence the Company emphasized the importance of talent cultivation and put resources in regular training courses to enhance employees' technical knowledge and safety awareness as well as management skills.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group entered into a sale and purchase agreement on 21 December 2023 with two independent third parties (the "**Oasetech Vendors**"), pursuant to which the Group conditionally agreed to purchase, and the Oasetech Vendors conditionally agreed to sell, the entire issued share capital of Oasetech Limited, which together with its subsidiaries (collectively, the "**Oasetech Group**") are principally engaged in the development and production of new energy products and integrated solutions. The acquisition was completed on 2 February 2024. The consideration for the acquisition was HK$100,000,000, which was satisfied by the Company through the issuance and allotment of 232,558,140 ordinary shares at fair value of HK$0.43 per share which is determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date.

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

During the Previous Year, a total of 20,999,040 shares of the Company (the "**Shares**") were transferred from the name of a borrower and a margin client (the "**Clients**") to the 60.4%-owned subsidiaries of the Company due to the foreclosure of relevant receivables from the money lending business and securities brokerage business in the ordinary course of business. Pursuant to the arrangement between the Clients, a total of 5,079,040 shares were sold during the Current Year, the difference between the sale proceeds and the carrying amount of the shares is recognised in share premium.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Reference has been made to the announcement of the Company dated 20 October 2023 regarding the Original Design Manufacturer Cooperation Agreement with Qiweite Solar Energy Group. Pursuant to the agreement, Qiweite Solar Energy Group will act as the manufacturer and supplier of the necessary equipment, parts, and raw materials for the Group's heating projects for a period of five years, with a minimum annual procurement amount of RMB100 million. The agreement does not commit to procurement requirements.

In the second half of the Current Year, Qiweite Solar Energy Group designed and built an energy intelligent management AI system for the Group's heating projects and supplied the necessary equipment, parts, and raw materials, valued at approximately HK$50 million. This has facilitated the practical application of the AI system in the Company's new energy business sector and has generated positive benefits.

Save as disclosed above, as of the date of this announcement, there was no other specific plan for material investments or capital assets as at 31 March 2024.

CORPORATE GOVERNANCE CODE

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. The Company has adopted the code provisions set out in the Corporate Governance Code ("**CG Code**") contained in Part 2 of Appendix C1 to the Listing Rules as its code of corporate governance. For the Current Year, 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 C.2.1 and C.4.1 of the CG Code set out as follows:

Code Provision C.2.1 of the CG Code as set out in Appendix C1 to the Listing Rules states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Kan has held the positions as the Chairman of the Board and chief executive officer of the Company from 1 April 2023 to 1 October 2023. Notwithstanding the deviation from the Code Provision C.2.1 for the aforesaid period, the Board believes that with the support of the management, vesting the roles of both chairman and chief executive officer on the same person can facilitate execution of the Company's business strategies and provide a strong and consistent leadership to the Company. The Board considers that the appointment of Dr. Kan as the Chairman of the Board and the chief executive officer of the Company will not impair the balance of power during the period as all major decisions are made in consultation with members of the Board. Since 2 October 2023, the positions of chairman and chief executive officer have been assumed by Dr. Kan and executive Director Mr. Deng Yaobo, respectively. Since then, the Company has not deviated from Code Provision C.2.1.

Code Provision C.4.1 stipulates that non-executive director shall be appointed for a specific term, subject to re-election, whereas Code Provision C.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 re-election at the annual general meeting of the Company in accordance with the articles of association ("Articles") of the Company at least once every three years.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. In response to a specific enquiry by the Company, all Directors have confirmed that they had fully complied with the requirements of the Model Code during the Current Year.

Securities Transactions by Senior Management and Staff

The senior management and staff have been individually notified and advised about the Model Code by the Company.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Company's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2024 as set out in this announcement have been agreed by the Company's auditor, McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**"), to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by McMillan Woods in this respect was limited and did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by McMillan Woods on the announcement.

REVIEW BY AUDIT COMMITTEE

The Company established an audit committee in accordance with Rule 3.21 of the Listing Rules with terms of reference aligned with the provision of the CG Code. The audit committee comprises three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee. Currently Mr. Li Siu Yui is the chairman of the audit committee.

The audit committee of the Company has reviewed the consolidated annual results for the Current Year and discussed with the management and the auditor, the audit committee is of the view that the consolidated financial statements for the Current Year have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Directors confirmed that the Company has maintained a sufficient amount of public float for the shares of the Company as required under the Listing Rules throughout the Current Year.

ANNUAL GENERAL MEETING

The notice of the annual general meeting will be published in the Company's website and dispatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

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

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at http://chinahkpower.todayir.com. The annual report of the Company for the year ended 31 March 2024 containing all information required by the Listing Rules will be dispatched to shareholders of the Company and published on the above websites in due course.

By Order of the Board
China HK Power Smart Energy Group Limited
Kan Che Kin, Billy Albert
Chairman

Hong Kong, 28 June 2024

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; and one non-executive Directors, namely Mr. Simon Murray; and three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee.

* *For identification purposes only*