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元亨燃氣

YUANHENG GAS

**YUAN HENG GAS HOLDINGS LIMITED**

元亨燃氣控股有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 332)**

**ANNOUNCEMENT OF RESULTS  
FOR THE YEAR ENDED 31 MARCH 2020**

**RESULTS**

The Board of Directors (the “**Directors**”) of Yuan Heng Gas Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2020, together with the comparative figures, as follows:

**I. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 March 2020*

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Gross amounts from operations	3	<u><b>6,447,235</b></u>	<u>8,552,947</u>
Gross amounts of oil and gas sales contracts		<b>4,750,093</b>	6,975,615
Gross amounts of oil and gas purchase contracts		<u><b>(4,710,395)</b></u>	<u>(6,958,307)</u>
Other revenue	3	<b>1,697,142</b>	1,577,332
Cost of sales and services		<u><b>(1,602,305)</b></u>	<u>(1,368,711)</u>
Gross profit		<b>134,535</b>	225,929
Other income	4	<b>14,942</b>	47,865
Other gains and losses	5	<b>44,571</b>	(255)
Impairment losses under expected credit loss model, net of reversal		<b>(20,172)</b>	(3,430)
Distribution and selling expenses		<b>(9,288)</b>	(9,538)
Administrative expenses		<b>(76,538)</b>	(90,874)
Share of results of associates		<b>(20,595)</b>	(10,753)
Finance costs	6	<u><b>(100,294)</b></u>	<u>(87,667)</u>
(Loss) profit before tax		<b>(32,839)</b>	71,277
Income tax expense	7	<u><b>(11,584)</b></u>	<u>(25,176)</u>
(Loss) profit for the year	8	<u><b>(44,423)</b></u>	<u>46,101</u>
Other comprehensive income (expense)			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value loss on investment in equity instrument at fair value through other comprehensive income		—	(26,886)
Deferred tax related to item that will not be reclassified		—	6,721
		<u>—</u>	<u>(20,165)</u>

	<i>Notes</i>	<b>2020</b> <b><i>RMB'000</i></b>	2019 <i>RMB'000</i>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>320</u>	<u>(43)</u>
Other comprehensive income (expense) for the year		<u>320</u>	<u>(20,208)</u>
Total comprehensive (expense) income for the year		<u><b>(44,103)</b></u>	<u>25,893</u>
(Loss) profit for the year attributable to:			
Owners of the Company		<b>(53,681)</b>	28,357
Non-controlling interests		<u>9,258</u>	<u>17,744</u>
		<u><b>(44,423)</b></u>	<u>46,101</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		<b>(53,361)</b>	8,149
Non-controlling interests		<u>9,258</u>	<u>17,744</u>
		<u><b>(44,103)</b></u>	<u>25,893</u>
(Loss) earnings per share ( <i>RMB cents</i> )	9		
— Basic		<u><b>(0.82)</b></u>	<u>0.43</u>
— Diluted		<u><b>(0.82)</b></u>	<u>0.43</u>

## II. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>662,038</b>	713,854
Right-of-use assets		<b>39,666</b>	—
Prepaid lease payments		—	37,253
Goodwill		<b>34,070</b>	34,070
Intangible asset		<b>6,987</b>	7,380
Interests in associates		<b>112,324</b>	132,919
Derivative financial instrument		<b>2,500</b>	3,150
Long-term receivable		—	5,088
Deposit paid for acquisition of an associate		—	—
Deferred tax assets		<b>664</b>	1,124
Equity instrument at fair value through other comprehensive income		—	—
		<u><b>858,249</b></u>	<u>934,838</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>19,606</b>	18,422
Trade and other receivables	10	<b>2,970,610</b>	3,195,279
Contract assets		<b>3,446</b>	3,970
Prepaid lease payments		—	1,479
Amounts due from associates		<b>380</b>	983
Amount due from a non-controlling equity owner of a subsidiary		<b>1,204</b>	1,204
Amount due from a related party		—	1,866
Financial assets at fair value through profit or loss		<b>7,744</b>	7,500
Pledged bank deposits		<b>557,000</b>	368,189
Bank balances and cash		<b>29,381</b>	67,654
		<u><b>3,589,371</b></u>	<u>3,666,546</u>

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables and other liabilities	11	<b>1,207,593</b>	1,566,101
Contract liabilities		<b>105,867</b>	36,947
Amount due to an associate		<b>28,947</b>	37,057
Tax payable		<b>86,535</b>	80,598
Bank and other borrowings due within one year		<b>1,241,004</b>	1,037,611
Lease liabilities		<b>1,750</b>	—
Guaranteed notes		<b>281,302</b>	—
		<u><b>2,952,998</b></u>	<u>2,758,314</u>
<b>NET CURRENT ASSETS</b>		<u><b>636,373</b></u>	<u>908,232</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>1,494,622</b></u>	<u>1,843,070</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>551,378</b>	551,378
Reserves		<b>747,378</b>	800,739
Equity attributable to owners of the Company		<b>1,298,756</b>	1,352,117
Non-controlling interests		<b>143,799</b>	134,541
<b>TOTAL EQUITY</b>		<u><b>1,442,555</b></u>	<u>1,486,658</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>14,274</b>	13,737
Bank and other borrowings due after one year		<b>37,000</b>	77,678
Lease liabilities		<b>793</b>	—
Guaranteed notes		—	264,997
		<u><b>52,067</b></u>	<u>356,412</u>
		<u><b>1,494,622</b></u>	<u>1,843,070</u>

### III. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. GENERAL

Yuan Heng Gas Holdings Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section in the annual report.

The immediate holding company and ultimate holding company of the Company was Champion Ever Limited (“**Champion Ever**”), which is a limited liability company incorporated in the British Virgin Islands and wholly-owned by Mr. Wang Jianqing (“**Mr. Wang**”), the chairman and a director of the company.

The Group is principally engaged in trading of oil and gas contracts, production and sale of liquefied natural gas (“**LNG**”), sales of vehicle gas at refuelling station, sales of piped gas, LNG transportation and construction of gas pipeline infrastructure.

The consolidated financial statements are presented in RMB which is also the presentation currency of the Company.

#### 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

##### **New and amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time in the current year.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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.

## ***HKFRS 16 Leases***

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“**HKAS 17**”), and the related interpretations.

### *Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the PRC and Hong Kong was determined on a portfolio basis; and

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities is 4.75%.

	<b>At 1 April 2019</b> <i>RMB'000</i>
Operating lease commitments disclosed as at 31 March 2019	5,156
Lease liabilities discounted at relevant incremental borrowing rates	4,879
Less: Recognition exemption — short-term leases	(108)
Practical expedient — leases with lease term ending within 12 months from the date of initial application	(282)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	4,489
Lease liabilities as at 1 April 2019	4,489
Analysed as:	
Current	2,156
Non-current	2,333
	4,489

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	<b>Right-of-use assets</b> <i>RMB'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	4,489
Reclassified from prepaid lease payments	38,732
	43,221
By class:	
Leasehold lands	38,732
Leasehold properties	4,489
	43,221

## New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>6</sup>
Amendments to HKFRS 3	Definition of a Business <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>5</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>5</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>6</sup> Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except as mentioned below, the directors of the Company anticipate the application of all other new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

### **Amendments to HKAS 1 and HKAS 8 *Definition of Material***

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

#### **Amendments to References to the Conceptual Framework in HKFRS Standards**

Conceptual Framework for Financial Reporting 2018 (the “**New Framework**”):

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 April 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

### 3. SEGMENT INFORMATION AND REVENUE

Information reported to the Group's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment focuses on the nature of operations.

Specifically, the Group's operating and reportable segments under HKFRS 8 during the year are as follows:

Production and sales of LNG	Wholesale of LNG
Oil and gas transactions	Trading of oil and gas contracts
Piped gas	Sales of piped gas and construction of gas pipeline infrastructure

*In addition, the operations of sales of vehicle gas at refuelling stations and LNG transportation operation are reported as "other operations".*

#### Segment revenue and results

	Production and sales of LNG RMB'000	Oil and gas transactions RMB'000	Piped gas RMB'000	Total reportable segment RMB'000	Other operations RMB'000	Total RMB'000
<i>Year ended 31 March 2020</i>						
Segment revenue from external customers	<u>1,264,729</u>	<u>4,750,093</u>	<u>404,163</u>	<u>6,418,985</u>	<u>28,250</u>	<u>6,447,235</u>
Segment results	<u>10,253</u>	<u>48,413</u>	<u>53,709</u>	<u>112,375</u>	<u>(867)</u>	111,508
Interest income						12,825
Other gains and losses						(26,367)
Share of results of associates						(20,595)
Finance costs						(100,294)
Unallocated corporate expenses						<u>(9,916)</u>
Profit before tax						<u>(32,839)</u>

	Production and sales of LNG RMB'000	Oil and gas transactions RMB'000	Piped gas RMB'000	Total reportable segment RMB'000	Other operations RMB'000	Total RMB'000
<i>Year ended 31 March 2019</i>						
Segment revenue from external customers	<u>1,239,718</u>	<u>6,975,615</u>	<u>306,390</u>	<u>8,521,723</u>	<u>31,224</u>	<u>8,552,947</u>
Segment results	<u>85,923</u>	<u>26,507</u>	<u>17,066</u>	<u>129,496</u>	<u>(3,074)</u>	126,422
Interest income						46,868
Other gains and losses						3,105
Share of results of associates						(10,753)
Finance costs						(87,667)
Unallocated corporate expenses						<u>(6,698)</u>
Profit before tax						<u>71,277</u>

#### **Segment assets and liabilities**

Information of the operating segments of the Group reported to the CODM for the purposes of resource allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities information are presented.

The Group's total revenue amounted to RMB1,736,840,000 (2019: 1,594,640,000) comprising (i) revenue from oil and gas sales contracts of RMB39,698,000 (2019: RMB17,308,000) and (ii) other revenue from contracts with customers of RMB1,697,142,000 (2019: RMB1,577,332,000). Additional line items are presented in consolidated statements of profit or loss and other comprehensive income to separately show revenue from oil and gas contracts.

**Disaggregation of other revenue from contracts with customers**

Segments	For the year ended 31 March 2020			Total RMB'000
	Production and sales of LNG RMB'000	Piped gas RMB'000	Other operations RMB'000	
<b>Sales of goods</b>				
LNG	1,264,729	—	—	1,264,729
Vehicle gas at refuelling stations	—	—	19,343	19,343
Piped gas	—	390,018	—	390,018
Sub-total	<u>1,264,729</u>	<u>390,018</u>	<u>19,343</u>	<u>1,674,090</u>
<b>Provision of services</b>				
Construction of gas pipeline infrastructure	—	14,145	—	14,145
LNG transportation	—	—	8,907	8,907
Sub-total	<u>—</u>	<u>14,145</u>	<u>8,907</u>	<u>23,052</u>
<b>Total</b>	<u><u>1,264,729</u></u>	<u><u>404,163</u></u>	<u><u>28,205</u></u>	<u><u>1,697,142</u></u>
<b>Geographical markets</b>				
The PRC, other than Hong Kong	<u>1,264,729</u>	<u>404,163</u>	<u>28,205</u>	<u>1,697,142</u>
<b>Timing of revenue recognition</b>				
A point in time	1,264,729	390,018	19,343	1,674,090
Over time	—	14,145	8,907	23,052
<b>Total</b>	<u><u>1,264,729</u></u>	<u><u>404,163</u></u>	<u><u>28,205</u></u>	<u><u>1,697,142</u></u>

For the year ended 31 March 2019

Segments	Production and sales of			Total RMB'000
	LNG RMB'000	Piped gas RMB'000	Other operations RMB'000	
<b>Sales of goods</b>				
LNG	1,239,718	—	—	1,239,718
Vehicle gas at refuelling stations	—	—	16,006	16,006
Piped gas	—	296,068	—	296,068
Sub-total	<u>1,239,718</u>	<u>296,068</u>	<u>16,006</u>	<u>1,551,792</u>
<b>Provision of services</b>				
Construction of gas pipeline infrastructure	—	10,322	—	10,322
LNG transportation	—	—	15,218	15,218
Sub-total	<u>—</u>	<u>10,322</u>	<u>15,218</u>	<u>25,540</u>
<b>Total</b>	<u><u>1,239,718</u></u>	<u><u>306,390</u></u>	<u><u>31,224</u></u>	<u><u>1,577,332</u></u>
<b>Geographical markets</b>				
The PRC, other than Hong Kong	<u><u>1,239,718</u></u>	<u><u>306,390</u></u>	<u><u>31,224</u></u>	<u><u>1,577,332</u></u>
<b>Timing of revenue recognition</b>				
A point in time	1,239,718	296,068	16,006	1,551,792
Over time	—	10,322	15,218	25,540
<b>Total</b>	<u><u>1,239,718</u></u>	<u><u>306,390</u></u>	<u><u>31,224</u></u>	<u><u>1,577,332</u></u>

For segment reporting purpose, segment revenue include (i) gross amounts of oil and gas sales contracts and (ii) other revenue from customers with contracts, whilst, the Group's revenue of an aggregated amount of RMB1,736,840,000 (2019: 1,594,640,000) comprising (i) revenue from oil and gas sales contracts and (ii) other revenue from customers with contracts of RMB39,698,000 (2019: RMB17,308,000) and RMB1,697,142,000 (2019: RMB1,577,332,000), respectively. Additional line items are presented in consolidated statement of profit or loss and other comprehensive income to separately show revenue from oil and gas contracts.

#### 4. OTHER INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income from		
— banks	12,825	4,027
— deposit paid for acquisition of an associate	—	42,841
	<u>12,825</u>	<u>46,868</u>
Others	2,117	997
	<u>14,942</u>	<u>47,865</u>

#### 5. OTHER GAINS AND LOSSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Gain (loss) on disposal of property, plant and equipment	22	(1)
Net foreign exchange gains (losses)	45,694	(11,890)
Gain on settlement of consideration payable	—	437
(Loss) gain on fair value change of derivative financial instrument	(650)	3,150
Gain on fair value change of financial assets at fair value through profit or loss	244	—
Gain on disposal of a subsidiary	—	8,049
Impairment loss recognised on property, plant and equipment	(739)	—
	<u>44,571</u>	<u>(255)</u>

#### 6. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest on bank and other borrowings	74,425	66,624
Interest on guaranteed notes	25,818	21,338
Interest on lease liabilities	167	—
	<u>100,410</u>	<u>87,962</u>
Total borrowing costs	100,410	87,962
Less: Amount capitalised in the cost of qualifying assets ( <i>note</i> )	(116)	(295)
	<u>100,294</u>	<u>87,667</u>

*Note:* The borrowing costs have been capitalised at a rate of 5.13% per annum for the year ended 31 March 2020 (2019: 5.08%).

## 7. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
The charge comprises:		
Hong Kong Profits Tax		
— Current year	—	11
PRC Enterprise Income Tax (“EIT”)		
— Current year	10,587	20,055
Deferred taxation		
— Current year	997	5,110
	<b>11,584</b>	<b>25,176</b>

## 8. (LOSS) PROFIT FOR THE YEAR

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
(Loss) profit for the year has been arrived at after charging:		
Auditors’ remuneration	1,700	1,700
Amortisation of intangible asset (included in administrative expenses)	393	393
Amortisation of prepaid lease payments	—	1,479
Depreciation of right-of-use assets	3,770	—
Depreciation of property, plant and equipment	61,039	60,081
Operating lease payments in respect of office premises	—	2,815
Directors’ emoluments	4,217	4,012
Salaries and other benefits	50,374	49,342
Contributions to retirement benefit schemes	4,992	6,228
Total staff costs (excluding directors’ emoluments)	<b>55,366</b>	<b>55,570</b>

## 9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share for the year is based on the following data:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
(Loss) earnings for the purposes of basic and diluted earnings per share		
(Loss) profit for the year attributable to owners of the Company	<u>(53,681)</u>	<u>28,357</u>

### Number of shares

	2020 '000	2019 '000
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	<u>6,545,621</u>	<u>6,536,891</u>

There were no potential ordinary shares in issue for the year ended 31 March 2020.

The computation of diluted earnings per share for the year ended 31 March 2019 does not assume the issue of the consideration shares since it would not result in a decrease in earnings per share.

## 10. TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	2,398,843	2,253,871
Less: Allowance for credit losses	<u>(23,568)</u>	<u>(6,791)</u>
	<u>2,375,275</u>	<u>2,247,080</u>
Dividend receivable	—	97,213
Less: Allowance for credit losses	<u>—</u>	<u>(1,693)</u>
	<u>—</u>	<u>95,520</u>
Consideration receivable	—	252,800
Other receivables	12,332	7,944
Prepayments	<u>583,003</u>	<u>591,935</u>
	<u>2,970,610</u>	<u>3,195,279</u>

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the dates of delivery of goods or rendering of services:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 30 days	<b>253,525</b>	917,868
31–90 days	<b>620,358</b>	105,968
91–180 days	<b>277,695</b>	1,143,490
Over 180 days	<b>1,223,697</b>	79,754
	<u><b>2,375,275</b></u>	<u>2,247,080</u>

#### 11. TRADE PAYABLES AND OTHER LIABILITIES

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables	<b>912,264</b>	699,379
Other payables	<b>29,299</b>	36,434
Other tax payables	<b>21,408</b>	28,387
Payroll payables	<b>1,012</b>	1,031
Receipt from exercise of a put option	<b>2,500</b>	—
Receipts in advance	<b>241,110</b>	73,908
	<u><b>1,207,593</b></u>	<u>1,566,101</u>

The following is an aged analysis of trade payables presented, based on the invoice date, at the end of the reporting period:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 90 days	<b>458,248</b>	693,843
91–180 days	<b>228,200</b>	200
181–365 days	<b>223,271</b>	837
Over 1 year	<b>2,545</b>	4,499
	<u><b>912,264</b></u>	<u>699,379</u>

## **DIVIDEND**

The Board of Directors did not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP**

### **BUSINESS REVIEW**

#### **Group results**

For the year ended 31 March 2020 and at present, the Group has been principally engaged in (i) trading of oil and gas products and the provision of related consultancy services; and (ii) processing, distribution, sales, trading and transportation of LNG and other auxiliary operations and networks in the PRC.

For the year ended 31 March 2020, the Group recorded gross amounts from operations of approximately RMB6,447 million (2019: approximately RMB8,553 million) with loss after tax of approximately RMB44 million (2019: profit of approximately RMB46 million). The Group's performance for the year ended 31 March 2020 was contributed mainly by the sales of piped gas and production and sales of LNG.

The Group's financial results were adversely affected as compared to that for the corresponding period in 2019 is mainly due to stiff competition in the oil and gas market, both locally and internationally and the slowdown of the economic growth of the PRC amid outbreak of the novel coronavirus disease (COVID-19) during the first quarter of 2020 (as further elaborated under the sections headed "Production and sales of LNG" and "Oil and gas transactions").

#### **Production and sales of LNG**

During the year, the Group produced approximately 453 million cubic meters of LNG, representing a decrease of approximately 17 million cubic meters or 3.6% compared with the last year. The revenue from the sales of LNG business for the year ended 31 March 2020 was approximately RMB1,265 million representing an increase of approximately RMB25 million or 2% compared with the last year, contributing approximately 19.6% of the total turnover of the Group. Gross profit, however, decreased by approximately RMB119 million to approximately RMB61 million (2019: approximately RMB180 million), gross profit margin, decreased from approximately 14.5% to approximately 4.8%.

During the year, the downward movements of average gas prices together with the fact that fierce competitions on the market had shown no signs of easing. Moreover, the temporary suspension of customers' business operations under the quarantine and lockdown measures imposed by the governments of the PRC amid outbreak of the COVID-19 during the first quarter of 2020 which also resulted in decrease in both revenue and profit margin.

### **Oil and gas transactions**

During the year, gross amounts of oil and gas sales contracts decreased to approximately RMB4,750 million from approximately RMB6,976 million, representing a decrease of approximately RMB2,226 million or 31.9% compared with the last year, contributing approximately 73.7% of the total turnover of the Group. Gross profit, however, increased to approximately RMB40 million from approximately RMB17 million, gross profit margin increased from approximately 0.2% to 0.8%.

Given the volatility of the oil prices and the nature of the oil trading contracts, the management will continue to adopt cautionary steps while seeking for profitable trading opportunities.

### **Sales of piped gas**

During the year, revenue arising from sales of piped gas increased to approximately RMB404 million from approximately RMB306 million, representing an increase of approximately RMB98 million or 32% compared with the last year, contributing approximately 6.3% of the total turnover of the Group. Gross profit, increased to approximately RMB57 million from approximately RMB21 million, gross profit margin increased from approximately 7.2% to 14.5% as a result of the bloom of the white wine markets in the Guizhou Province which increased the demand and usage of the piped gas.

### **Prospect**

During the year, the Group's business was affected by adverse market conditions in the oil and gas industry as described in the previous sections. Along with the PRC government persists in preventing and controlling pollution with full force, being resolute in promoting clean production in enterprises, and steadily implements coal-control objectives in key regions, and as a result the demand of natural gas will maintain steady growth. The Group expects that such policies in the natural gas market would be conducive to the market environment, in which the Group operates.

The management is mindful of the market environment and will continue to adopt cautionary steps and implement various strategies to mitigate the adverse impact on the business arising from challenges as in this market condition. Looking forward, the Group will continue to develop its businesses in natural gas sector and to explore new business opportunities in order to create value for its shareholders.

## **FINANCIAL REVIEW**

### **Turnover**

The Group's turnover for the year ended 31 March 2020 was approximately RMB6,447 million (2019: approximately RMB8,553 million). The decrease in turnover was mainly attributable to the decrease in the gross amounts of oil and gas sales contracts of which reported a turnover of approximately RMB4,750 million during the year ended 31 March 2020 (2019: approximately RMB6,976 million).

### **Gross Profit**

Gross profit for the year ended 31 March 2020 was approximately RMB163 million (2019: approximately RMB226 million). The decrease in gross profit was primarily due to the global economic growth worsened by China-US trade war and the COVID-19 outbreak in the first quarter of 2020, thus intensified the competition in the oil and gas market. However, the decline was offset by the favorable contribution from the sales of piped gas, the Group's gross profit margin for the year ended 31 March 2020 slightly decreased from approximately 2.6% (year ended 31 March 2019) to approximately 2.1%.

### **Other Income**

Other income for the year ended 31 March 2020 was approximately RMB15 million (2019: approximately RMB48 million). The significantly decrease in other income is mainly due to the Group has ceased to record the interest income from the deposit paid for acquisition of an associate as a result of the disposal of Ju Yuan on 13 March 2019.

### **Administrative Expenses**

The Group's administrative expenses for the year ended 31 March 2020 amounted to approximately RMB77 million (2019: approximately RMB91 million), representing an decrease of approximately 15.4% as compared to the previous year.

### **Finance Costs**

The Group incurred finance costs of approximately RMB100 million during the year ended 31 March 2020 (2019: approximately RMB88 million), representing an increase of approximately 14.4%. The increase was mainly due to the increase in bank and other borrowings and guaranteed notes during the year.

### **Income Tax Expenses**

The Group is subjected to taxes in Hong Kong and the PRC due to its business operations in these jurisdictions. For the year ended 31 March 2020, income tax expenses of the Group approximately RMB12 million (2019: approximately RMB25 million). The decrease was mainly due to a decrease in the taxable income.

## **Liquidity, Financial Resources and Capital Structure**

As at 31 March 2020, the Group maintained bank balances and cash of approximately RMB29 million (2019: approximately RMB68 million).

The net current assets of the Group as at 31 March 2020 were approximately 636 million (2019: approximately RMB908 million). The current ratio was approximately 1.22 (2018: approximately 1.33).

As at 31 March 2020, the Group had borrowings of approximately RMB1,241 million which are due within one year and approximately RMB37 million which are repayable after one year, and guaranteed notes of approximately RMB281 million. The gearing ratio, which is debt-to-equity ratio, of the Group was approximately 1.1 as at 31 March 2020 compared to approximately 0.9 as at 31 March 2019.

## **Capital Expenditure on Property, Plant and Equipment**

Capital expenditure for purchase of property, plant and equipment amounted to approximately RMB10 million (2019: approximately RMB20 million) for the year ended 31 March 2020.

## **Pledge of Assets**

As at 31 March 2020, the Group had pledged assets in an aggregate amount of approximately RMB952 million (2019: approximately RMB798 million) to banks for banking facilities.

## **Capital Commitments**

As at 31 March 2020, the Group had no material capital commitments.

## **Contingent liabilities**

As at 31 March 2020, the Group issued financial guarantee to the banks in respect of bank loans obtained by associates of RMB115 million (2019: RMB135 million), representing the amount that could be required to be paid if the guarantee was called upon in entirety by the bank.

## **Treasury Policy**

The Group mainly operates in China with most of the transactions denominated and settled in RMB and US Dollar. The exposure of exchange fluctuation in respect of HKD, RMB and US Dollar could affect the Group's performance and asset value. However, there are no significant differences of the carrying amount of the monetary assets and liabilities which are denominated in US Dollar so the Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. The Group still monitors the overall currency exposures.

## **Employee Information**

As at 31 March 2020, the Group had about 420 employees (2019: about 420). The remuneration packages are generally structured with reference to market conditions and individual qualifications. Salaries and wages of the Group's employees are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

## **CORPORATE GOVERNANCE**

The Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices (the “**CG Code**”) in Appendix 14 of the Listing Rules throughout the year ended 31 March 2020, except for the deviations discussed below.

### **Code Provision A.1.1**

Pursuant to A.1.1 of the Code, the Board should meet regularly and the Board meeting should be held at least four (4) times a year at approximately quarterly intervals. During the year ended 31 March 2020, a total of three (3) Board meetings (including two (2) regular Board meetings) were held due to the social unrest in Hong Kong and the outbreak of coronavirus disease 2019. During this period, written resolutions of the Directors were circulated and passed for approving significant matters. The Directors were provided with all relevant information in advance to enable them to make informed decisions. The Company will consider holding more regular Board meetings in the coming year if the situation allows to meet code provision A.1.1 of the CG Code.

### **Code provision A.2.1**

Pursuant to A.2.1 of the Code, the roles of chairman and chief executive officer (“**CEO**”) should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Wang Jianqing (“**Mr. Wang**”) is the chairman of the Company since 27 January 2011 and was appointed the CEO of the Company on 15 September 2011. The Board considers that Mr. Wang possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategies. Through the supervision of the Board and the audit committee, balance of power and authority can be ensured and there is no imminent need to change the arrangement.

## **Code provision F.1.2**

Pursuant to F.1.2 of the Code, the appointment of the company secretary should be dealt with by a physical board meeting rather than a written resolution. The appointment of the current company secretary was dealt with by a written resolution in September 2013. The Board considers that, prior to the execution of the written resolution to appoint the current company secretary, all Directors were individually consulted on the matter without any dissenting opinion and there was no need to approve the matter by a physical board meeting instead of a written resolution.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2020. The Audit Committee comprises three independent non-executive directors, namely, Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of profit of loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2020 set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions (the "**Model Code**"). Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard set out in the Model Code throughout the year ended 31 March 2020.

## **DEALING IN COMPANY'S LISTED SECURITIES**

During the year, there were no purchases, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This announcement of results is available for viewing on the website of Hong Kong Exchange and Clearings Limited at [www.hkex.com.hk](http://www.hkex.com.hk) under “Latest Listed Company Information” and on the website at [www.yuanhenggas.com](http://www.yuanhenggas.com). The annual report of the Company contained all the information required by the Listing Rules will be published on the above websites in due course.

By order of the Board  
**Yuan Heng Gas Holdings Limited**  
**Wang Jianqing**  
*Chairman and Chief Executive Officer*

Hong Kong, 30 June 2020

*As at the date of this announcement, the executive Directors are Mr. Wang Jianqing, Mr. Bao Jun and Mr. Zhou Jian; and the Independent non-executive Directors are Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie.*