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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)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

The Board of Directors (“**the Board**”) of Yuan Heng Gas Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2020 (the “**Period**”), together with the comparative figures, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

		Six months ended 30 September	
	<i>Notes</i>	2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Gross amounts from operations	3	<u>3,398,375</u>	<u>3,877,457</u>
Gross amounts of oil and gas sales contracts		622,301	2,000,124
Gross amounts of oil and gas purchase contracts		<u>(620,467)</u>	<u>(1,983,387)</u>
Other revenue	3	2,776,074	1,877,333
Cost of sales and services		<u>(2,702,208)</u>	<u>(1,804,127)</u>
Gross profit		<u>75,700</u>	<u>89,943</u>

		Six months ended	
		30 September	
	<i>Notes</i>	2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Other income	4	4,912	3,797
Other gains and losses	5	(28,296)	42,891
Impairment losses under expected credit loss model, net of reversal		2,825	1,640
Distribution and selling expenses		(4,602)	(8,297)
Administrative expenses		(35,008)	(45,807)
Share of results of associates		1,112	(3,091)
Finance costs		(47,029)	(50,797)
		<hr/>	<hr/>
(Loss) profit before tax	6	(30,386)	30,279
Income tax expense	7	(5,446)	(5,899)
		<hr/>	<hr/>
(Loss) profit for the period		(35,832)	24,380
Other comprehensive (expense) income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(7)	(329)
		<hr/>	<hr/>
Other comprehensive expense for the period		(7)	(329)
		<hr/>	<hr/>
Total comprehensive (expense) income for the period		(35,839)	24,051
		<hr/> <hr/>	<hr/> <hr/>
(Loss) profit for the period attributable to:			
Owners of the Company		(42,182)	24,121
Non-controlling interests		6,350	259
		<hr/>	<hr/>
		(35,832)	24,380
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive (expense) income attributable to:			
Owner of the Company		(42,189)	23,792
Non-controlling interests		6,350	259
		<hr/>	<hr/>
		(35,839)	24,051
		<hr/> <hr/>	<hr/> <hr/>
(Loss) earnings per share (<i>RMB cents</i>)	9		
– Basic		(0.644)	0.369
		<hr/> <hr/>	<hr/> <hr/>
– Diluted		(0.644)	0.369
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2020 <i>RMB'000</i> (Unaudited)	As at 31 March 2020 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	639,505	662,038
Right-of-use assets		37,763	39,666
Goodwill		34,070	34,070
Intangible asset		6,787	6,987
Interests in associates		113,435	112,324
Derivative financial instrument		2,500	2,500
Deferred tax assets		629	664
		834,689	858,249
CURRENT ASSETS			
Inventories		19,673	19,606
Trade and other receivables	10	2,480,550	2,970,610
Contract assets		3,659	3,446
Amount due from an associate		380	380
Amounts due from non-controlling equity owners of subsidiaries		1,204	1,204
Financial assets at fair value through profit or loss		7,887	7,744
Pledged bank deposits		268,526	557,000
Bank balances and cash		51,157	29,381
		2,833,036	3,589,371

		As at 30 September 2020 <i>RMB'000</i> (Unaudited)	As at 31 March 2020 <i>RMB'000</i> (Audited)
CURRENT LIABILITIES			
Trade payables and other liabilities	11	827,737	1,207,593
Contract liabilities		73,545	105,867
Amounts due to associates		18,906	28,947
Tax payable		83,287	86,535
Bank and other borrowings due within one year	13	974,874	1,241,004
Lease liabilities		934	1,750
Guaranteed notes		26,387	281,302
		<u>2,005,670</u>	<u>2,952,998</u>
NET CURRENT ASSETS		<u>827,366</u>	<u>636,373</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,662,055</u>	<u>1,494,622</u>
CAPITAL AND RESERVES			
Share capital	14	551,378	551,378
Reserves		705,189	747,378
Equity attributable to owners of the Company		1,256,567	1,298,756
Non-controlling interests		150,149	143,799
TOTAL EQUITY		<u>1,406,716</u>	<u>1,442,555</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		13,784	14,274
Bank and other borrowings due after one year	13	30,000	37,000
Lease liabilities		458	793
Guaranteed notes		211,097	–
		<u>255,339</u>	<u>52,067</u>
		<u>1,662,055</u>	<u>1,494,622</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Other reserve	Statutory			Retained earnings	Total	Non- controlling interests	Total
				surplus reserve	Designated safety fund	Translation reserve				
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 April 2019 (audited)	551,378	4,466,908	(3,775,606)	43,918	42,092	(7,933)	31,360	1,352,117	134,541	1,486,658
Profit for the period	-	-	-	-	-	-	24,121	24,121	259	24,380
Other comprehensive income for the period	-	-	-	-	-	(329)	-	(329)	-	(329)
Total comprehensive (expense) income for the period	-	-	-	-	-	(329)	24,121	23,792	259	24,051
Transfer to statutory surplus fund	-	-	-	16	-	-	(16)	-	-	-
Transfer to designated safety fund	-	-	-	-	(662)	-	662	-	-	-
At 30 September 2019 (unaudited)	551,378	4,466,908	(3,775,606)	43,934	41,430	(8,262)	56,127	1,375,909	134,800	1,510,709
At 1 April 2020 (audited)	551,378	4,466,908	(3,775,606)	48,885	41,222	(7,613)	(26,418)	1,298,756	143,799	1,442,555
(Loss) profit for the period	-	-	-	-	-	-	(42,182)	(42,182)	6,350	(35,832)
Other comprehensive expense for the period	-	-	-	-	-	(7)	-	(7)	-	(7)
Total comprehensive (expense) income for the period	-	-	-	-	-	(7)	(42,182)	(42,189)	6,350	(35,839)
Transfer to designated safety fund	-	-	-	-	3,862	-	(3,862)	-	-	-
At 30 September 2020 (unaudited)	551,378	4,466,908	(3,775,606)	43,934	45,084	(7,620)	(72,462)	1,256,567	150,149	1,406,716

Notes:

- (a) Other reserve of the Group mainly represents (i) the financial impact of adopting merger accounting for the acquisition of Union Honor Limited (“UHL”) and its subsidiaries and (ii) a debit arising from the deemed distribution to shareholder which represents the cash consideration of the acquisition of UHL of HK\$70,000,000 (equivalent to RMB55,595,000) paid to the vendor during the year ended 31 March 2014.
- (b) In accordance with the relevant laws and regulations of the People’s Republic of China (the “PRC”) and the Articles of Association of certain subsidiaries of the Company, they are required to provide for PRC statutory reserves, by way of appropriations from their respective statutory net profit (based on their PRC statutory financial statements) but before dividend distributions. They are required to transfer 10% of the profit after taxation to the statutory reserves. The appropriation to the statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the registered capital of the relevant companies. The statutory surplus reserve can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of a capitalisation issue. However, when converting the statutory surplus reserve into capital, the remaining balance of such reserve must not be less than 25% of the registered capital of the relevant companies.
- (c) Pursuant to the relevant PRC regulation, certain subsidiaries are required to transfer a certain percentage based on a progressive rate on revenue generated from manufacturing and transportation of gas or other dangerous chemical into a designated fund. The fund will be used for installation and repair and maintenance of safety facilities. The movement during the period represents the difference between the amounts provided based on the relevant PRC regulation and the amount utilised during the period.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended	
	30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash from (used) in operating activities	<u>49,724</u>	<u>(251,888)</u>
Net cash (used in) from investing activities	<u>(14,177)</u>	<u>252,720</u>
Net cash used in financing activities	<u>(13,763)</u>	<u>(13,673)</u>
Net increase (decrease) in cash and cash equivalents	21,784	(12,841)
Cash and cash equivalents at 1 April	29,381	67,654
Effect of foreign exchange rate changes, net	<u>(8)</u>	<u>(322)</u>
Cash and cash equivalents at 30 September	<u><u>51,157</u></u>	<u><u>54,491</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (the “HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Group reported a consolidated loss attributable to owners of the Company of approximately RMB42,182,000 for the six months ended 30 September 2020 (for the six months ended 30 September 2019: profit of RMB24,121,000) and as at 30 September 2020 the Group had net current assets of approximately RMB827,366,000 (As at 31 March 2020: approximately RMB636,373,000).

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements.

The accounting policies adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2020, except for the first time of the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performances for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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 period 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".

Segments turnover and results

For the six months ended 30 September 2020

	Production and sales of LNG <i>RMB'000</i> (Unaudited)	Oil and gas transactions <i>RMB'000</i> (Unaudited)	Piped gas <i>RMB'000</i> (Unaudited)	Total reportable segment <i>RMB'000</i> (Unaudited)	Other operations <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue from external customers	<u>2,524,768</u>	<u>622,301</u>	<u>195,760</u>	<u>3,342,829</u>	<u>55,546</u>	<u>3,398,375</u>
Segment results	<u>8,469</u>	<u>197</u>	<u>28,568</u>	<u>37,234</u>	<u>5,458</u>	<u>42,692</u>
Interest income						4,802
Other gains and losses						(28,296)
Share of results of associates						1,112
Finance costs						(47,029)
Unallocated corporate expenses						<u>(3,667)</u>
Loss before tax						<u>(30,386)</u>

For the six months ended 30 September 2019

	Production and sales of LNG <i>RMB'000</i> (Unaudited)	Oil and gas transactions <i>RMB'000</i> (Unaudited)	Piped gas <i>RMB'000</i> (Unaudited)	Total reportable segment <i>RMB'000</i> (Unaudited)	Other operations <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue from external customers	<u>1,682,961</u>	<u>2,000,124</u>	<u>180,423</u>	<u>3,863,508</u>	<u>13,949</u>	<u>3,877,457</u>
Segment results	<u>18,493</u>	<u>11,959</u>	<u>17,060</u>	<u>47,512</u>	<u>4,276</u>	51,788
Interest income						3,797
Other gains and losses						32,434
Share of results of associates						(3,091)
Finance costs						(50,797)
Unallocated corporate expenses						<u>(3,852)</u>
Profit before tax						<u>30,279</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 RMB2,777,908,000 (for the six months ended 30 September 2019: 1,894,070,000) comprising (i) revenue from oil and gas sales contracts of RMB1,834,000 (for the six months ended 30 September 2019: RMB16,737,000) and (ii) other revenue from contracts with customers of RMB2,776,074,000 (for the six months ended 30 September 2019: RMB1,877,333,000). 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 six months ended 30 September 2020			
	Production and sales of LNG RMB'000 (Unaudited)	Piped gas RMB'000 (Unaudited)	Other operations RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Sales of goods				
LNG	2,524,768	–	–	2,524,768
Vehicle gas at refuelling stations	–	–	9,634	9,634
Piped gas	–	189,632	–	189,632
Sub-total	<u>2,524,768</u>	<u>189,632</u>	<u>9,634</u>	<u>2,724,034</u>
Provision of services				
Construction of gas pipeline infrastructure	–	6,128	–	6,128
LNG transportation	–	–	44,569	44,569
Sales commission	–	–	1,343	1,343
Sub-total	<u>–</u>	<u>6,128</u>	<u>45,912</u>	<u>52,040</u>
Total	<u><u>2,524,768</u></u>	<u><u>195,760</u></u>	<u><u>55,546</u></u>	<u><u>2,776,074</u></u>
Geographical markets				
The PRC, other than Hong Kong	<u>2,524,768</u>	<u>195,760</u>	<u>55,546</u>	<u>2,776,074</u>
Timing of revenue recognition				
A point in time	2,524,768	189,632	10,977	2,725,377
Over time	–	6,128	44,569	50,697
Total	<u><u>2,524,768</u></u>	<u><u>195,760</u></u>	<u><u>55,546</u></u>	<u><u>2,776,074</u></u>

For the six months ended 30 September 2019

Segments	Production and sales of		Other	Total
	LNG	Piped gas	operations	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of goods				
LNG	1,682,961	–	–	1,682,961
Vehicle gas at refuelling stations	–	–	10,544	10,544
Piped gas	–	175,660	–	175,660
Sub-total	<u>1,682,961</u>	<u>175,660</u>	<u>10,544</u>	<u>1,869,165</u>
Provision of services				
Construction of gas pipeline infrastructure	–	4,763	–	4,763
LNG transportation	–	–	3,009	3,009
Sales commission	–	–	396	396
Sub-total	<u>–</u>	<u>4,763</u>	<u>3,405</u>	<u>8,168</u>
Total	<u><u>1,682,961</u></u>	<u><u>180,423</u></u>	<u><u>13,949</u></u>	<u><u>1,877,333</u></u>
Geographical markets				
The PRC, other than Hong Kong	<u><u>1,682,961</u></u>	<u><u>180,423</u></u>	<u><u>13,949</u></u>	<u><u>1,877,333</u></u>
Timing of revenue recognition				
A point in time	1,682,961	175,660	10,940	1,869,561
Over time	–	4,763	3,009	7,772
Total	<u><u>1,682,961</u></u>	<u><u>180,423</u></u>	<u><u>13,949</u></u>	<u><u>1,877,333</u></u>

4. OTHER INCOME

	Six months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Banks interest income	4,802	3,797
Other	<u>110</u>	<u>–</u>
	<u><u>4,912</u></u>	<u><u>3,797</u></u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net foreign exchange (losses) gains	(28,296)	42,459
Gain on fair value change of derivative financial instrument	—	432
	<u>(28,296)</u>	<u>42,891</u>

6. (LOSS) PROFIT BEFORE TAX

	Six months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
(Loss) profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	200	231
Amortisation of prepaid lease payments	—	675
Cost of inventories recognised as an expense	2,489,944	1,362,029
Depreciation of property, plant and equipment	27,112	29,682
Depreciation of right-of-use assets	1,903	1,035
Directors' emoluments	1,918	1,808
Salaries and other benefits	15,569	15,974
Retirement benefits contributions	860	3,114
	<u>16,429</u>	<u>19,088</u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
The charge (credit) comprises:		
Current taxation		
Hong Kong	—	2,325
PRC Enterprise Income Tax (“EIT”)	6,437	4,770
	<u>6,437</u>	<u>7,095</u>
Deferred taxation		
Current period	(991)	(1,196)
	<u>5,446</u>	<u>5,899</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25% (six months ended 30 September 2019: 8.25%), and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (six months ended 30 September 2019: 16.5%).

PRC EIT has been provided at the applicable income tax rate of 25% on the assessable profits of the companies comprising the Group during the periods, except for certain subsidiaries of the Group, namely, 鄂爾多斯市星星能源有限公司 (“**Xingxing Energy**”), 達州市匯鑫能源有限公司 (“**Huixin Energy**”) and 貴州華亨能源投資有限公司 (“**Huaheng Energy**”) which are taxed at concessionary rate in certain periods.

As set out below, the applicable EIT concessionary rate for Xingxing Energy, Huixin Energy and Huaheng Energy is 15%, which are under the preferential tax treatment that given to companies established in the western regions in the PRC and derived at least 70% of their total income from their main business in oil and gas industry which falling within the list of encouraged industries specified by the PRC government.

Xingxing Energy was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2013 to 2020. Accordingly, Xingxing Energy is eligible for the EIT of 15% (2019: 15%).

Huixin Energy was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2012 to 2020. Accordingly, Huixin Energy is eligible for the EIT of 15% (2019: 15%).

Huaheng Energy was entitled to a 15% preferential rate from since its establishment on 24 June 2011 with no definite period and subject to annual review and approval of local tax authority.

8. DIVIDEND

No dividend was paid, declared or proposed during both interim periods, nor has any dividend been proposed since the end of the reporting period.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the six months ended 30 September 2020 is based on the loss attributable to owners of the Company of approximately RMB42,182,000 (for the six months ended 30 September 2019: profit of approximately RMB24,121,000) and the weighted average number of 6,545,621,131 (as at 30 September 2019: 6,545,621,131) ordinary shares in issue during the period.

There were no potential dilutive ordinary shares in issue for the six months ended 30 September 2020 and 2019.

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 <i>RMB'000</i> (Unaudited)	As at 31 March 2020 <i>RMB'000</i> (Audited)
Trade receivables	1,554,278	2,398,843
Less: Allowance for credit losses	<u>(20,744)</u>	<u>(23,568)</u>
	1,533,534	2,375,275
Other receivables	15,404	12,332
Prepayments	<u>931,612</u>	<u>583,003</u>
	<u><u>2,480,550</u></u>	<u><u>2,970,610</u></u>

The Group generally requires prepayments made by customers before delivery of goods or provision of services, except for certain customers to which the Group allows an average credit period of 30 to 180 days. The Group also allows customers to settle the trade receivables before the end of credit period or to make prepayments to Group by bills.

Trade receivables arisen from oil and gas sales contracts which are either settled by letter of credit or bills issued by banks with high credit-ratings assigned by international credit-rating agencies and are receivable with an average credit period ranging from seven days to twelve months after the bills of lading date of delivery or by telegraphic transfer.

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, at the end of the reporting period.

	As at 30 September 2020 <i>RMB'000</i> (Unaudited)	As at 31 March 2020 <i>RMB'000</i> (Audited)
Within 30 days	296,398	253,525
31–90 days	31,159	620,358
91–180 days	213,729	277,695
Over 180 days	<u>992,248</u>	<u>1,223,697</u>
	<u><u>1,533,534</u></u>	<u><u>2,375,275</u></u>

11. TRADE PAYABLES AND OTHER LIABILITIES

	As at 30 September 2020 <i>RMB'000</i> (Unaudited)	As at 31 March 2020 <i>RMB'000</i> (Audited)
Trade payables	493,342	912,264
Other payables	50,371	29,299
Other tax payables	20,690	21,408
Payroll payables	297	1,012
Advance payment from a counterparty in relation to a forward contract	2,500	2,500
Receipts in advance	260,537	241,110
	<u>827,737</u>	<u>1,207,593</u>

Trade payables arisen from oil and gas purchase contracts are granted by suppliers with an average credit period ranging from seven days to nine months after the bills of lading date of delivery, and trade payables arisen from production and sales of LNG are granted by suppliers with an average credit period ranging from 30 days to 90 days after the bills of lading date of delivery.

Besides, certain suppliers will also require to have prepayments received before the supply of materials. The Group will arrange for certain of its prepayments or settlement of trade payable by bills payables.

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

	As at 30 September 2020 <i>RMB'000</i> (Unaudited)	As at 31 March 2020 <i>RMB'000</i> (Audited)
Within 90 days	294,093	458,248
91–180 days	192,852	228,200
181–365 days	130	223,271
Over 1 years	6,267	2,545
	<u>493,342</u>	<u>912,264</u>

12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately RMB4,891,000 (for the six months ended 30 September 2019: approximately RMB4,770,000) on property, plant and equipment.

13. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank and other loans amounting to approximately RMB627 million (for the six months ended 30 September 2019: approximately RMB653 million). The loans carry interest at fixed/variable market rates of 2.9%–10% and are repayable in instalments over a period of one to five years. During the current interim period, the Group repaid bank and other loans amounting to approximately RMB944 million (for the six months ended 30 September 2019: approximately RMB672 million).

14. SHARE CAPITAL

	Number of shares '000	Share capital '000
Shares of HK\$0.10 each		
Authorised:		
As at 1 April 2019 (audited), 31 March 2020 (audited) and 30 September 2020 (unaudited)	<u>10,000,000</u>	<u>HK\$1,000,000</u>
Ordinary shares, issued and fully paid:		
As at 1 April 2019 (audited), 31 March 2020 (audited) and 30 September 2020 (unaudited)	<u>6,545,621</u>	<u>RMB551,378</u>

15. RELATED PARTIES TRANSACTIONS

	Six months ended 30 September 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Sales of oil and gas contract to a related party	<u>–</u>	<u>411,622</u>
Purchase LNG from an associate	<u>135,575</u>	<u>86,544</u>

DIVIDEND

The Board of Directors have resolved not to declare an interim dividend for the six months ended 30 September 2020 (for the six months ended 30 September 2019: nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Group results

During the period from 1 April 2020 to 30 September 2020 (the “**Period**”) 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.

During the Period, the Group recorded an unaudited consolidated gross amount from operations (“**turnover**”) of approximately RMB3,398 million (six months ended 30 September 2019: approximately RMB3,877 million) with loss after tax of approximately RMB36 million (six months ended 30 September 2019: profit of approximately RMB24 million), mainly contributed by the sales of piped gas and production and sales of LNG.

Production and sales of LNG

During the Period, the Group produced approximately 280,000,000 cubic meters of LNG, representing an increase of approximately 46,000,000 cubic meters or 19.7% compared with the same period of last year. The turnover from the sales of LNG business for the Period was approximately RMB2,525 million, representing an increase of approximately RMB842 million or 50% compared with the same period of last year, contributing approximately 74.3% of the total turnover of the Group. However, gross profit decreased by approximately RMB11 million to approximately RMB35 million (six months ended 30 September 2019: approximately RMB46 million), with gross profit margin decreased from approximately 2.7% to approximately 1.4%. The decline in the gross profit margin was predominantly due to the price reduction in the LNG market.

Sales of piped gas

During the period, revenue arising from sales of piped gas increased to approximately RMB190 million from approximately RMB176 million, representing an increase of approximately RMB14 million or 8% compared with the last period, contributing approximately 5.6% of the total turnover of the Group. Gross profit, increased to approximately RMB31 million from approximately RMB24 million (six months ended 30 September 2019), gross profit margin increased from approximately 13.4% (six months ended 30 September 2019) to 16.4% as a result of the stable growth of the white wine markets in the Guizhou Province which increased the demand and usage of the piped gas.

Oil and gas transactions

During the Period, revenue arising from oil and gas transactions declined to approximately RMB622 million from approximately RMB2,000 million, contributing approximately 18.3% of the total turnover of the Group, representing a decrease of approximately RMB1,378 million or 68.9% from the six months ended 30 September 2019. Gross profit, decreased to approximately RMB2 million from approximately RMB17 million, with gross profit margin decreased from approximately 0.84% to approximately 0.29%.

Due to severe decrease in demand for commodities amid global outbreak of COVID-19 pandemic and international oil price plunge in the first half of 2020 which resulted in substantial decrease in the demand and gross profit of the oil and gas transactions segments.

Given the unprecedented challenges imposed by low oil prices and the COVID-19 pandemic, the management will continue to enhance efficiency and reduce cost, and adopt cautionary steps while seeking for profitable trading opportunities.

Prospect

During the period, the Group's business was affected by adverse market conditions in the oil and gas industry as described in the previous sections. However, with effective control over COVID-19 in China, the resumption of work and production have been promoted in an orderly manner and the economy is showing a trend of stable recovery.

Meanwhile, 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 period ended 30 September 2020 was approximately RMB3,398 million (six months ended 30 September 2019: approximately RMB3,877 million). The decrease in turnover was mainly attributable to the decrease in the gross amount of oil and gas sales contracts which reported a turnover of approximately RMB622 million during the Period (six months ended 30 September 2019: approximately RMB2,000 million).

Gross Profit

Gross profit for the period ended 30 September 2020 was approximately RMB76 million (six months ended 30 September 2019: approximately RMB90 million). The decrease in gross profit was primarily due to the price reduction in the oil and gas market. However, the decline was offset by the favourable contribution from the sales of piped gas, the Group's gross profit margin for the six months ended 30 September 2020 slightly decreased from approximately 2.3% (six months ended 30 September 2019) to approximately 2.2%.

Other Income

Other income for the period ended 30 September 2020 was approximately RMB5 million (six months ended 30 September 2019: approximately RMB4 million).

Other Gains and Losses

For the six months ended 30 September 2020, net foreign exchange losses were approximately RMB28 million, as compared with net foreign exchange gains of RMB42 million for the same period of the previous year. The losses was mainly due to the exchange losses as a result of fluctuations in exchange rates.

Administrative Expenses

The Group's administrative expenses for the period ended 30 September 2020 amounted to approximately RMB35 million (six months ended 30 September 2019: approximately RMB46 million) representing a decrease of approximately 23.6% as compared to the last period.

Finance Costs

The Group incurred finance costs of approximately RMB47 million during the Period (six months ended 30 September 2019: approximately RMB51 million), representing a decrease of approximately 7.4%. The decrease was mainly due to the decrease in bank and other borrowings.

Income Tax Expenses

For the period ended 30 September 2020, income tax expenses of the Group were approximately RMB5 million (six months ended 30 September 2019: approximately RMB6 million) represent a decrease of approximately RMB1 million. The decrease was mainly due to a decrease in the taxable income.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2020, the Group's maintained bank balances and cash of approximately RMB51 million (31 March 2020: approximately RMB29 million).

The net current assets of the Group as at 30 September 2020 were approximately RMB827 million (31 March 2020: approximately RMB636 million). The current ratio was approximately 1.4 (31 March 2020: approximately 1.2).

As at 30 September 2020, the Group had borrowings of approximately 1,001 million which are due within one year and approximately RMB241 million which are repayable after one year. The gearing ratio, which is debt-to-equity ratio, of the Group was approximately 0.88 compared to approximately 1.1 as at 31 March 2020.

Capital Expenditure on Property, Plant and Equipment

Capital expenditure for purchase of property, plant and equipment amounted to approximately RMB5 million (six months ended 30 September 2019: approximately RMB5 million) for the Period.

Pledge of Assets

As at 30 September 2020, the Group pledged assets in aggregate amount of approximately RMB790 million (31 March 2020: approximately RMB952 million) to banks for banking facilities.

Capital Commitments,

As at 30 September 2020, the Group had no material capital commitments.

Contingent Liabilities

As at 30 September 2020, the Group had contingent liabilities in respect of financial guarantees given by the Group to the banks for the bank loans obtained by associates of RMB115 million (31 March 2020: RMB115 million).

Treasury Policy

The Group mainly operates in China with most of the transactions denominated and settled in RMB, HK Dollar and US Dollar. The exposure of exchange fluctuation in respect of RMB and HK/US Dollar could affect the Group's performance and asset value. However, there are no liquidity problems resulting from currency exchange fluctuations. The Group still monitors the overall currency exposures.

Employee Information

As at 30 September 2020, the Group had about 410 employees (31 March 2020: about 420). The remuneration packages are generally structured with reference to market conditions and the 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 six months ended 30 September 2020, except for the deviations discussed below.

Code provision A.2.1

Pursuant to A.2.1 of the CG 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 E.1.2

Pursuant to E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Wang Jianqing, the Chairman of the Board, Mr. Bao Jun and Mr. Zhou Jian, the executive Directors of the Company, were unable to attend the 2020 annual general meeting of the Company held on 22 September 2020 (the “**2020 AGM**”) due to the travel restrictions arising from the COVID-19 pandemic. However, Mr. Wong Chi Keung, an independent non-executive Director, had taken the chair of the 2020 AGM in accordance with the bye-laws of the Company. Mr. Wong was of sufficient calibre and knowledge for communication with the shareholders at the 2020 AGM.

Code provision F.1.2

Pursuant to F.1.2 of the CG 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.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 September 2020 have been reviewed by the Audit Committee of the Company.

DEALING IN COMPANY'S LISTED SECURITIES

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement of interim results is available for viewing on the website of Hong Kong Exchange and Clearings Limited at www.hkexnews.hk under "Latest Listed Company Information" and on the company website at www.yuanhenggas.com. The interim report of the Company containing all the information required by the Listing Rules will be published on the above websites in due course.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank each and every of the management, staff and employees for their dedication, loyalty and commitment in the past.

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

Hong Kong, 30 November 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.