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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 2021**

RESULTS

The Board (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 2021, together with the comparative figures, as follows:

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

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Gross amounts from operations	3	<u>7,188,589</u>	<u>6,447,235</u>
Gross amounts of oil and gas sales contracts		5,417,772	4,750,093
Gross amounts of oil and gas purchase contracts		(5,350,120)	(4,710,395)
Other revenue	3	1,770,817	1,697,142
	3	1,838,469	1,736,840
Cost of sales and services		<u>(1,535,932)</u>	<u>(1,602,305)</u>
Gross profit		302,537	134,535
Other income	4	11,925	14,942
Other gains and losses	5	(51,248)	44,571
Impairment losses under expected credit loss model, net of reversal		3,165	(20,172)
Distribution and selling expenses		(12,087)	(9,288)
Administrative expenses		(83,148)	(76,538)
Share of results of associates		4,440	(20,595)
Finance costs	6	<u>(96,557)</u>	<u>(100,294)</u>
Profit (loss) before tax		79,027	(32,839)
Income tax expense	7	<u>(26,555)</u>	<u>(11,584)</u>
Profit (loss) for the year	8	<u>52,472</u>	<u>(44,423)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>525</u>	<u>320</u>
Other comprehensive income for the year		<u>525</u>	<u>320</u>
Total comprehensive income (expense) for the year		<u>52,997</u>	<u>(44,103)</u>

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit (loss) for the year attributable to:			
Owners of the Company		2,363	(53,681)
Non-controlling interests		50,109	9,258
		<u>52,472</u>	<u>(44,423)</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		2,888	(53,361)
Non-controlling interests		50,109	9,258
		<u>52,997</u>	<u>(44,103)</u>
Earnings (loss) per share (<i>RMB cents</i>)	9		
— Basic		<u>0.04</u>	<u>(0.82)</u>
— Diluted		<u>0.04</u>	<u>(0.82)</u>

II. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		618,446	662,038
Right-of-use assets		36,483	39,666
Goodwill		34,070	34,070
Intangible asset		6,594	6,987
Interests in associates		116,764	112,324
Derivative financial instrument		2,500	2,500
Long-term receivable		—	—
Deferred tax assets		629	664
		<u>815,486</u>	<u>858,249</u>
CURRENT ASSETS			
Inventories		20,143	19,606
Trade and other receivables	10	2,577,964	2,970,610
Contract assets		2,135	3,446
Amount due from an associate		380	380
Amount due from a non-controlling equity owner of a subsidiary		1,204	1,204
Financial assets at fair value through profit or loss		8,031	7,744
Pledged bank deposits		87,291	557,000
Bank balances and cash		45,841	29,381
		<u>2,742,989</u>	<u>3,589,371</u>

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
CURRENT LIABILITIES			
Trade payables and other liabilities	11	737,156	1,207,593
Contract liabilities		34,392	105,867
Amount due to an associate		45,253	28,947
Tax payable		91,954	86,535
Bank and other borrowings due within one year		1,000,435	1,241,004
Lease liabilities		718	1,750
Guaranteed notes		33,988	281,302
		1,943,896	2,952,998
NET CURRENT ASSETS			
		799,093	636,373
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,614,579	1,494,622
CAPITAL AND RESERVES			
Share capital		551,378	551,378
Reserves		750,266	747,378
Equity attributable to owners of the Company		1,301,644	1,298,756
Non-controlling interests		119,498	143,799
TOTAL EQUITY			
		1,421,142	1,442,555
NON-CURRENT LIABILITIES			
Deferred tax liabilities		15,829	14,274
Bank and other borrowings due after one year		—	37,000
Lease liabilities		162	793
Guaranteed notes		177,446	—
		193,437	52,067
		1,614,579	1,494,622

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, which is a limited liability company incorporated in the British Virgin Islands and wholly-owned by Mr. Wang Jianqing, 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.

As at 31 March 2021, the Group had bank balances and cash, bank and other borrowings due within one year and current portion of guaranteed notes of approximately RMB45,841,000, RMB1,000,435,000 and RMB33,988,000 respectively. Based on the estimation of the future cash flows of the Group, after taking into account of (i) continuous net cash inflows from operating activities; and (ii) the ability to renew the current bank loans upon expiry because of the Group’s good track records and relationship with the banks, the directors are of the opinion that the Group will have sufficient working capital to finance its normal operation for the twelve months from the end of the reporting period of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

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

The application of the Amendments to References to the Conceptual Framework in HKFRS and the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

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 and related Amendments ⁶
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁶
Amendments to HKAS 1	Disclosure of Accounting Policies ⁶
Amendments to HKAS 8	Definition of Accounting Estimates ⁶
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁶
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 Cycle ³

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective date not yet been determined

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 April 2021

⁶ Effective for annual periods beginning on or after 1 January 2023

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments to HKAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that

rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Hong Kong Interpretation 5 was revised as a consequence of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current to align the corresponding wordings with no change in conclusion.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Based on the Group’s outstanding liabilities as at 31 March 2021, the application of the amendments will not result in change in the classification of the Group’s liabilities.

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 reportable segments 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 <i>RMB'000</i>	Oil and gas transactions <i>RMB'000</i>	Piped gas <i>RMB'000</i>	Total reportable segments <i>RMB'000</i>	Other operations <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Year ended 31 March 2021</i>						
Segment revenue from external customers	<u>1,172,808</u>	<u>5,417,772</u>	<u>493,305</u>	<u>7,083,885</u>	<u>104,704</u>	<u>7,188,589</u>
Segment results	<u>101,043</u>	<u>54,385</u>	<u>53,742</u>	<u>209,170</u>	<u>9,029</u>	<u>218,199</u>
Interest income						8,268
Other gains and losses						(38,169)
Share of results of associates						4,440
Finance costs						(96,557)
Unallocated corporate expenses						<u>(17,154)</u>
Profit before tax						<u><u>79,027</u></u>
<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>	<u>111,508</u>
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>
Loss before tax						<u><u>(32,839)</u></u>

The accounting policies of the reportable segments are the same as the Group's accounting policies except for the gross proceeds from oil and gas contracts are included in segment revenue, whilst revenue from oil and gas contracts is recognised on the net amount of sales and purchase contracts of goods sold. Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, share of results of associates, interest income, gain on fair value change of derivative financial instrument, certain exchange differences and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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.

Revenue

For segment reporting purpose, segment revenue include (i) gross proceeds of oil and gas sales contracts and (ii) other revenue from customers with contracts, whilst, the Group's total revenue amounted to RMB1,838,469,000 (2020: RMB1,736,840,000) comprising (i) revenue from oil and gas sales contracts of RMB67,652,000 (2020: RMB39,698,000) and (ii) other revenue from contracts with customers of RMB1,770,817,000 (2020: RMB1,697,142,000). Additional line items are presented in consolidated statements of profit or loss and other comprehensive income to separately show the gross amount of oil and gas sales and purchase contracts.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Wholesale of LNG	1,172,808	1,264,729
Trading of oil and gas contracts	67,652	39,698
Sales of piped gas	475,224	390,018
Construction of gas pipeline infrastructure	18,081	14,145
Sales of vehicle gas at refuelling stations	20,149	19,343
LNG transportation	84,555	8,907
	<u>1,838,469</u>	<u>1,736,840</u>

4. OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Bank interest income	8,268	12,825
Others	3,657	2,117
	<u>11,925</u>	<u>14,942</u>

5. OTHER GAINS AND LOSSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
(Loss) gain on disposal of property, plant and equipment	(343)	22
Net foreign exchange (losses) gains	(51,192)	45,694
Loss on fair value change of derivative financial instrument	—	(650)
Gain on fair value change of financial assets at fair value through profit or loss	287	244
Impairment loss recognised on property, plant and equipment	—	(739)
	<u>(51,248)</u>	<u>44,571</u>

6. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank and other borrowings	73,167	74,425
Interest on guaranteed notes	23,362	25,818
Interest on lease liabilities	63	167
	<u>96,592</u>	<u>100,410</u>
Total borrowing costs	96,592	100,410
Less: Amount capitalised in the cost of qualifying assets (<i>note</i>)	(35)	(116)
	<u>96,557</u>	<u>100,294</u>

Note: The borrowing costs have been capitalised at a rate of 3.34% (2020: 5.13%) per annum for the year ended 31 March 2021.

7. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current year		
— PRC Enterprise Income Tax	<u>24,965</u>	<u>10,587</u>
Deferred taxation		
— Current year	<u>1,590</u>	<u>997</u>
	<u>26,555</u>	<u>11,584</u>

8. PROFIT (LOSS) FOR THE YEAR

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit (loss) for the year has been arrived at after charging:		
Auditors' remuneration	857	1,700
Amortisation of intangible asset (included in administrative expenses)	393	393
Depreciation of right-of-use assets	3,343	3,770
Cost of inventories recognised as an expense	1,445,005	1,538,312
Depreciation of property, plant and equipment	58,929	61,039
Directors' emoluments	4,316	4,217
Salaries and other benefits	48,990	50,374
Contributions to retirement benefit schemes	4,685	4,992
Total staff costs (excluding directors' emoluments)	<u>53,675</u>	<u>55,366</u>

9. EARNINGS (LOSS) PER SHARE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit (loss) for the purposes of basic and diluted earnings (loss) per share		
Profit (loss) for the year attributable to owners of the Company	<u>2,363</u>	<u>(53,681)</u>
Number of shares		
	2021 <i>'000</i>	2020 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<u>6,545,621</u>	<u>6,545,621</u>

There were no potential ordinary shares in issue for the year ended 31 March 2021 and 31 March 2020.

10. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	1,449,052	2,398,843
Less: Allowance for credit losses	<u>(20,403)</u>	<u>(23,568)</u>
	<u>1,428,649</u>	<u>2,375,275</u>
Other receivables	6,503	12,332
Prepayments	<u>1,142,812</u>	<u>583,003</u>
	<u><u>2,577,964</u></u>	<u><u>2,970,610</u></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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within 30 days	532,387	253,525
31–90 days	308,216	620,358
91–180 days	384,846	277,695
Over 180 days	<u>203,200</u>	<u>1,223,697</u>
	<u><u>1,428,649</u></u>	<u><u>2,375,275</u></u>

11. TRADE PAYABLES AND OTHER LIABILITIES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	488,595	912,264
Other payables	65,708	29,299
Other tax payables	22,946	21,408
Payroll payables	502	1,012
Receipt from exercise of a put option	2,500	2,500
Receipts in advance	<u>156,905</u>	<u>241,110</u>
	<u><u>737,156</u></u>	<u><u>1,207,593</u></u>

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	483,386	458,248
91-180 days	1,421	228,200
181-365 days	174	223,271
Over 1 year	3,614	2,545
	<hr/>	<hr/>
	488,595	912,264
	<hr/> <hr/>	<hr/> <hr/>

DIVIDEND

The Board of Directors did not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

BUSINESS REVIEW

Group results

For the year ended 31 March 2021 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 2021, the Group recorded gross amounts from operations of approximately RMB7,189 million (2020: approximately RMB6,447 million) with profit after tax of approximately RMB52 million (2020: loss of approximately RMB44 million). The Group's performance for the year ended 31 March 2021 was contributed mainly by the production and sales of LNG and sales of piped gas.

The Group's financial results achieved turnaround from a loss last year to a profit this year is mainly due to the adoption of effective COVID-19 control measures by PRC government, China's economic activities, especially industrial production, have been resumed in an orderly manner since the second quarter of 2020, and driven by the increasing demands for natural gas in the fourth quarter of 2020, a significant increase in the average selling prices of LNG, thus, gross profit of the Group increase significantly (as further elaborated under the section headed "Production and sales of LNG").

Production and sales of LNG

During the year, the Group produced approximately 526 million cubic meters of LNG, representing an increase of approximately 73 million cubic meters or 16.2% compared with the last year. The revenue from the sales of LNG business for the year ended 31 March 2021 was approximately RMB1,173 million representing a decrease of approximately RMB92 million or 7.3% compared with the last year, contributing approximately 16.3% of the total turnover of the Group. Gross profit, however, increased by approximately RMB102 million to approximately RMB163 million (2020: approximately RMB61 million), gross profit margin, increased from approximately 4.8% to approximately 13.9%.

Since the fourth quarter of 2020, along with the resumption of work and production, the demands for LNG increased, the LNG market become a seller's market which resulted to a significant increase in the average selling prices of LNG. Coupled with a relative more stable cost of the LNG, the gross profit margin for the production and sales of LNG increase significantly.

Sales of piped gas and construction of gas pipeline infrastructure

During the year, revenue arising from sales of piped gas and related services increased to approximately RMB493 million from approximately RMB404 million, representing an increase of approximately RMB89 million or 22.1% compared with the last year, contributing approximately 6.9% of the total turnover of the Group. Gross profit, increased to approximately RMB59 million from approximately RMB57 million, as a result of the development of the new customers which increased the usage of the piped gas. Gross profit margin, however, decreased from approximately 14.1% to 12% due to an increase in the cost of raw material.

Oil and gas transactions

During the year, gross amounts of oil and gas sales contracts increased to approximately RMB5,418 million from approximately RMB4,750 million, representing an increase of approximately RMB668 million or 14.1% compared with the last year, contributing approximately 75.4% of the total turnover of the Group. Gross profit, increased to approximately RMB68 million from approximately RMB40 million, gross profit margin increased from approximately 0.8% to 1.2%.

At present, the COVID-19 pandemic has not been completely controlled, and there are still uncertainties in the trend of international oil prices. The management will continue to enhance efficiency and reduce cost, and adopt cautionary steps while seeking for profitable trading opportunities.

Prospect

In 2020, PRC government took decisive measures to effectively curb the spread of the epidemic and establish the “dual circulation” development model to strengthen its domestic market through “internal circulation”. Hence, China restored its economic growth with a year-on-year GDP growth rate of 2.3%, becoming the main driver for the recovery of the global economy.

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 year ended 31 March 2021 was approximately RMB7,189 million (2020: approximately RMB6,447 million). The increase in turnover was mainly attributable to the increase in the gross amounts of oil and gas sales contracts of which reported a turnover of approximately RMB5,418 million during the year ended 31 March 2021 (2020: approximately RMB4,750 million).

Gross Profit

Gross profit for the year ended 31 March 2021 was approximately RMB303 million (2020: approximately RMB135 million). The increase in gross profit was primarily due to the significant increase in the average selling prices of LNG in the third and fourth quarters of 2020 coupled with a relative more stable prices of the raw materials. The Group's gross profit margin for the year ended 31 March 2021 increased from approximately 2.1% (year ended 31 March 2020) to approximately 4.2%.

Other Income

Other income for the year ended 31 March 2021 was approximately RMB12 million (2020: approximately RMB15 million), representing a decrease of approximately 20.2% as compared to the previous year.

Other Gains and Losses

For the year ended 31 March 2021, net foreign exchange losses were approximately RMB51 million, as compared with net foreign exchange gains of approximately RMB46 million for 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 year ended 31 March 2021 amounted to approximately RMB83 million (2020: approximately RMB77 million), representing an increase of approximately 8.6% as compared to the previous year.

Finance Costs

The Group incurred finance costs of approximately RMB97 million during the year ended 31 March 2021 (2020: approximately RMB100 million), representing a decrease of approximately 3.7%. The decrease was mainly due to the decrease 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 2021, income tax expenses of the Group approximately RMB27 million (2020: approximately RMB12 million). The increase was mainly due to an increase in the taxable income.

Liquidity, Financial Resources and Capital Structure

As at 31 March 2021, the Group maintained bank balances and cash of approximately RMB46 million (2020: approximately RMB29 million).

The net current assets of the Group as at 31 March 2021 were approximately RMB799 million (2020: approximately RMB636 million). The current ratio was approximately 1.41 (2020: approximately 1.22).

As at 31 March 2021, the Group had borrowings of approximately RMB1,000 million which are due within one year and guaranteed notes of approximately RMB211 million. The gearing ratio, which is debt-to-equity ratio, of the Group was approximately 0.85 as at 31 March 2021 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 RMB16 million (2020: approximately RMB10 million) for the year ended 31 March 2021.

Pledge of Assets

As at 31 March 2021, the Group had pledged assets in an aggregate amount of approximately RMB466 million (2020: approximately RMB952 million) to banks for banking facilities.

Capital Commitments

As at 31 March 2021, 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 representing the amount that could be required to be paid if the guarantee was called upon in entirety by the bank. During the year ended 31 March 2021, the associates have settled the respective bank loans.

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 31 March 2021, the Group had about 400 employees (2020: 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 factor.

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 2021, 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**”) and the special general meeting of the Company held on 25 March 2021 (“**SGM**”) 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 and SGM 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 and SGM.

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.

AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2021. 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 SHINEWING (HK) CPA LIMITED

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 2021 set out in the announcement of results have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited 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 SHINEWING (HK) CPA Limited on the announcement of results.

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 2021.

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.hkexnews.hk under “Latest Listed Company Information” and on the website at 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 2021

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.