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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 2021

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 2021 (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	
		2021	2020
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Gross amounts from operations	3	<u>3,630,900</u>	<u>3,398,375</u>
Gross amounts of oil and gas sales contracts		2,631,496	622,301
Gross amounts of oil and gas purchase contracts		<u>(2,592,762)</u>	<u>(620,467)</u>
Other revenue	3	999,404	2,776,074
Cost of sales and services		<u>(873,388)</u>	<u>(2,702,208)</u>
Gross profit		<u>164,750</u>	<u>75,700</u>

	Notes	Six months ended	
		30 September	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other income	4	972	4,912
Other gains and losses	5	(10,395)	(28,296)
Impairment losses under expected credit loss model, net of reversal		1,073	2,825
Distribution and selling expenses		(5,889)	(4,602)
Administrative expenses		(33,705)	(35,008)
Share of results of associates		6,051	1,112
Finance costs		(40,349)	(47,029)
Profit (loss) before tax	6	82,508	(30,386)
Income tax expense	7	(12,333)	(5,446)
Profit (loss) for the period		70,175	(35,832)
Other comprehensive income (expense) for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		782	(7)
Other comprehensive income (expense) for the period		782	(7)
Total comprehensive income (expense) for the period		70,957	(35,839)
Profit (loss) for the period attributable to:			
Owners of the Company		38,829	(42,182)
Non-controlling interests		31,346	6,350
		70,175	(35,832)
Total comprehensive income (expense) attributable to:			
Owner of the Company		39,611	(42,189)
Non-controlling interests		31,346	6,350
		70,957	(35,839)
Earnings (loss) per share (RMB cents)	9		
– Basic		0.593	(0.644)
– Diluted		0.593	(0.644)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2021	As at 31 March 2021
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	601,634	618,446
Right-of-use assets		35,088	36,483
Goodwill		34,070	34,070
Intangible asset		6,391	6,594
Interests in associates		122,815	116,764
Derivative financial instrument		2,500	2,500
Deferred tax assets		629	629
		803,127	815,486
CURRENT ASSETS			
Inventories		21,678	20,143
Trade and other receivables	10	2,439,514	2,577,964
Contract assets		3,313	2,135
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		8,163	8,031
Pledged bank deposits		87,301	87,291
Bank balances and cash		65,337	45,841
		2,626,890	2,742,989

		As at 30 September 2021 <i>RMB'000</i> (Unaudited)	As at 31 March 2021 <i>RMB'000</i> (Audited)
CURRENT LIABILITIES			
Trade payables and other liabilities	11	645,319	737,156
Contract liabilities		57,620	34,392
Amounts due to associates		32,542	45,253
Tax payable		86,276	91,954
Bank and other borrowings due within one year	13	892,948	1,000,435
Lease liabilities		135	718
Guaranteed notes		207,664	33,988
		<u>1,922,504</u>	<u>1,943,896</u>
NET CURRENT ASSETS		<u>704,386</u>	<u>799,093</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>1,507,513</u></u>	<u><u>1,614,579</u></u>
CAPITAL AND RESERVES			
Share capital	14	551,378	551,378
Reserves		789,877	750,266
Equity attributable to owners of the Company		<u>1,341,255</u>	<u>1,301,644</u>
Non-controlling interests		150,844	119,498
TOTAL EQUITY		<u>1,492,099</u>	<u>1,421,142</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		15,375	15,829
Lease liabilities		39	162
Guaranteed notes		—	177,446
		<u>15,414</u>	<u>193,437</u>
		<u><u>1,507,513</u></u>	<u><u>1,614,579</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital	Share premium	Other reserve	Statutory surplus reserve	Designated safety fund	Translation reserve	Retained earnings	Total	Non- controlling interests	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(note a)</i>	<i>RMB'000</i> <i>(note b)</i>	<i>RMB'000</i> <i>(note c)</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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)	<u>551,378</u>	<u>4,466,908</u>	<u>(3,775,606)</u>	<u>43,934</u>	<u>45,084</u>	<u>(7,620)</u>	<u>(72,462)</u>	<u>1,256,567</u>	<u>150,149</u>	<u>1,406,716</u>
At 1 April 2021 (audited)	551,378	4,466,908	(3,775,606)	76,539	44,350	(7,088)	(54,837)	1,301,644	119,498	1,421,142
Profit for the period	-	-	-	-	-	-	38,829	38,829	31,346	70,175
Other comprehensive income for the period	-	-	-	-	-	782	-	782	-	782
Total comprehensive income for the period	-	-	-	-	-	782	38,829	39,611	31,346	70,957
Transfer to designated safety fund	-	-	-	-	5,540	-	(5,540)	-	-	-
At 30 September 2021 (unaudited)	<u>551,378</u>	<u>4,466,908</u>	<u>(3,775,606)</u>	<u>76,539</u>	<u>49,890</u>	<u>(6,306)</u>	<u>(21,548)</u>	<u>1,341,255</u>	<u>150,844</u>	<u>1,492,099</u>

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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash from operating activities	221,506	49,724
Net cash used in investing activities	(91,490)	(14,177)
Net cash used in financing activities	(111,301)	(13,763)
Net increase in cash and cash equivalents	18,715	21,784
Cash and cash equivalents at 1 April	45,841	29,381
Effect of foreign exchange rate changes, net	781	(8)
Cash and cash equivalents at 30 September	65,337	51,157

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 profit attributable to owners of the Company of approximately RMB38,829,000 for the six months ended 30 September 2021 (for the six months ended 30 September 2020: loss of RMB42,182,000) and as at 30 September 2021 the Group had net current assets of approximately RMB704,386,000 (As at 31 March 2021: approximately RMB799,093,000).

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 2021, 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</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 reportable segments 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 2021

	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>681,551</u>	<u>2,631,496</u>	<u>276,828</u>	<u>3,589,875</u>	<u>41,025</u>	<u>3,630,900</u>
Segment results	<u>58,447</u>	<u>29,245</u>	<u>41,508</u>	<u>129,200</u>	<u>62</u>	129,262
Interest income						837
Other gains and losses						(10,395)
Share of results of associates						6,051
Finance costs						(40,349)
Unallocated corporate expenses						<u>(2,898)</u>
Profit before tax						<u>82,508</u>

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>	42,692
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>

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

The Group's total revenue amounted to RMB1,038,138,000 (for the six months ended 30 September 2020: RMB2,777,908,000) comprising (i) revenue from oil and gas sales contracts of RMB38,734,000 (for the six months ended 30 September 2020: RMB1,834,000) and (ii) other revenue from contracts with customers of RMB999,404,000 (for the six months ended 30 September 2020: RMB2,776,074,000). 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.

Revenue from major products and services

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

	Six months ended 30 September	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Wholesale of LNG	681,551	2,524,768
Trading of oil and gas contracts	38,734	1,834
Sales of piped gas	273,803	189,632
Construction of gas pipeline infrastructure	3,025	6,128
Sales of vehicle gas at refuelling stations	9,579	9,634
LNG transportation	30,317	44,569
Sales commission	1,129	1,343
	<u>1,038,138</u>	<u>2,777,908</u>

4. OTHER INCOME

	Six months ended 30 September	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Banks interest income	837	4,802
Other	135	110
	<u>972</u>	<u>4,912</u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net foreign exchange losses	<u>10,395</u>	<u>28,296</u>

6. PROFIT (LOSS) BEFORE TAX

	Six months ended 30 September	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit (Loss) before taxation has been arrived at after charging:		
Amortisation of intangible assets	203	200
Depreciation of property, plant and equipment	29,787	27,112
Cost of inventories recognised as an expense	601,961	2,489,944
Depreciation of right-of-use assets	1,395	1,903
Directors' emoluments	1,837	1,918
Salaries and other benefits	20,703	15,569
Retirement benefits contributions	2,915	860
Total staff costs (excluding directors' emoluments)	<u>23,618</u>	<u>16,429</u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
The charge (credit) comprises:		
Current taxation		
PRC Enterprise Income Tax ("EIT")	<u>12,383</u>	<u>6,437</u>
Deferred taxation		
Current period	<u>(50)</u>	<u>(991)</u>
	<u>12,333</u>	<u>5,446</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the unaudited condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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 and further extended to 2030. Accordingly, Xingxing Energy is eligible for the EIT of 15% (2020: 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 and further extended to 2030. Accordingly, Huixin Energy is eligible for the EIT of 15% (2020: 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. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for the six months ended 30 September 2021 is based on the profit attributable to owners of the Company of approximately RMB38,829,000 (for the six months ended 30 September 2020: loss of approximately RMB42,182,000) and the weighted average number of 6,545,621,131 (as at 30 September 2020: 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 2021 and 2020.

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 <i>RMB'000</i> (Unaudited)	As at 31 March 2021 <i>RMB'000</i> (Audited)
Trade receivables	1,480,775	1,449,052
Less: Allowance for credit losses	<u>(19,330)</u>	<u>(20,403)</u>
	1,461,445	1,428,649
Other receivables	9,631	6,503
Prepayments	<u>968,438</u>	<u>1,142,812</u>
	<u><u>2,439,514</u></u>	<u><u>2,577,964</u></u>

The Group generally requires prepayments made by customers before delivery of goods or provision of services, except for certain customers arising from the sales of oil and gas transactions to which the Group allows an average credit period of 30 to 180 days. The Group also accepts bills issued by reputable PRC banks from customers as settlement of trade receivables.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

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 2021 <i>RMB'000</i> (Unaudited)	As at 31 March 2021 <i>RMB'000</i> (Audited)
Within 30 days	174,308	532,387
31-90 days	525,709	308,216
91-180 days	429,481	384,846
Over 180 days	<u>331,947</u>	<u>203,200</u>
	<u><u>1,461,445</u></u>	<u><u>1,428,649</u></u>

11. TRADE PAYABLES AND OTHER LIABILITIES

	As at 30 September 2021 <i>RMB'000</i> (Unaudited)	As at 31 March 2021 <i>RMB'000</i> (Audited)
Trade payables	367,678	488,595
Other payables	120,382	65,708
Other tax payables	24,572	22,946
Payroll payables	569	502
Receipt from exercise of Put Option	2,500	2,500
Receipts in advance	129,618	156,905
	<u>645,319</u>	<u>737,156</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 2021 <i>RMB'000</i> (Unaudited)	As at 31 March 2021 <i>RMB'000</i> (Audited)
Within 90 days	134,598	483,386
91-180 days	230,513	1,421
181-365 days	579	174
Over 1 years	1,988	3,614
	<u>367,678</u>	<u>488,595</u>

12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately RMB14,041,000 (for the six months ended 30 September 2020: approximately RMB4,891,000) 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 RMB77 million (for the six months ended 30 September 2020: approximately RMB627 million). The loans carry interest at fixed/variable market rates of 4.79%-9% 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 RMB210 million (for the six months ended 30 September 2020: approximately RMB944 million).

14. SHARE CAPITAL

	Number of shares '000	Share capital '000
Shares of HK\$0.10 each		
Authorised:		
As at 1 April 2020 (audited), 31 March 2021 (audited) and 30 September 2021 (unaudited)	<u>10,000,000</u>	<u>HK\$1,000,000</u>
Ordinary shares, issued and fully paid:		
As at 1 April 2020 (audited), 31 March 2021 (audited) and 30 September 2021 (unaudited)	<u>6,545,621</u>	<u>RMB551,378</u>

15. RELATED PARTIES TRANSACTIONS

	Six months ended 30 September	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of oil and gas contract to a related party	<u>211,689</u>	<u>—</u>
Purchase LNG from an associate	<u>199,320</u>	<u>135,575</u>

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Group results

During the period from 1 April 2021 to 30 September 2021 (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 RMB3,631 million (six months ended 30 September 2020: approximately RMB3,398 million) with profit after tax of approximately RMB70 million (six months ended 30 September 2020: loss of approximately RMB36 million), mainly contributed by the production and sales of LNG and sales of piped gas.

Production and sales of LNG

During the Period, the Group produced approximately 271,000,000 cubic meters of LNG, representing a decrease of approximately 9,000,000 cubic meters or 3.2% compared with the same period of last year. The turnover from the sales of LNG business for the Period was approximately RMB681,551 million, representing a decrease of approximately RMB1,843,217 million or 73% compared with the same period of last year, contributing approximately 18.8% of the total turnover of the Group. However, gross profit increased by approximately RMB45 million to approximately RMB80 million (six months ended 30 September 2020: approximately RMB35 million), with gross profit margin increased from approximately 1.4% to approximately 11.7%.

Since the fourth quarter of 2020, the average selling price of LNG continue to rise, 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

During the period, revenue arising from sales of piped gas increased to approximately RMB274 million from approximately RMB190 million, representing an increase of approximately RMB84 million or 44.4% compared with the last period, contributing approximately 7.5% of the total turnover of the Group. Gross profit, increased to approximately RMB42 million from approximately RMB31 million (six months ended 30 September 2020), as a result of the stable growth of the white wine markets in PRC which increased the demand and usage of the piped gas in the Guizhou Province. Gross profit margin, however, decreased from approximately 16.4% (six months ended 30 September 2020) to 15% due to an increase in the cost of raw material.

Oil and gas transactions

During the Period, revenue arising from oil and gas transactions increased to approximately RMB2,631 million from approximately RMB622 million, contributing approximately 72.5% of the total turnover of the Group, representing an increase of approximately RMB2,009 million or 322.9% from the six months ended 30 September 2020. Gross profit, increased to approximately RMB39 million from approximately RMB2 million, with gross profit margin increased from approximately 0.29% to approximately 1.5%.

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

With the effective control over the COVID-19 outbreak 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 2021 was approximately RMB3,631 million (six months ended 30 September 2020: approximately RMB3,398 million). The increase in turnover was mainly attributable to the increase in the sales of piped gas which reported a turnover of approximately RMB274 million during the Period (six months ended 30 September 2020: approximately RMB190 million).

Gross Profit

Gross profit for the period ended 30 September 2021 was approximately RMB165 million (six months ended 30 September 2020: approximately RMB76 million). The increase in gross profit was primarily due to the increase in the average selling prices of LNG during the period coupled with a relative more stable prices of the raw materials. The Group's gross profit margin for the six months ended 30 September 2021 increased from approximately 2.2% (six months ended 30 September 2020) to approximately 4.5%.

Other Income

Other income for the period ended 30 September 2021 was approximately RMB1 million (six months ended 30 September 2020: approximately RMB5 million). The decrease was mainly due to the decrease in the average pledged bank deposit which lead to a decrease in the bank interest income during the period.

Other Gains and Losses

For the six months ended 30 September 2021, net foreign exchange losses were approximately RMB10 million (six months ended 30 September 2020: approximately RMB28 million). 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 2021 amounted to approximately RMB34 million (six months ended 30 September 2020: approximately RMB35 million) representing a decrease of approximately 3.7% as compared to the last period.

Finance Costs

The Group incurred finance costs of approximately RMB40 million during the Period (six months ended 30 September 2020: approximately RMB47 million), representing a decrease of approximately 14.2%. The decrease was mainly due to the decrease in bank and other borrowings.

Income Tax Expenses

For the period ended 30 September 2021, income tax expenses of the Group were approximately RMB12 million (six months ended 30 September 2020: approximately RMB5 million) represent an increase of approximately RMB7 million. The increase was mainly due to an increase in the taxable income.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2021, the Group's maintained bank balances and cash of approximately RMB65 million (31 March 2021: approximately RMB45 million).

The net current assets of the Group as at 30 September 2021 were approximately RMB704 million (31 March 2021: approximately RMB799 million). The current ratio was approximately 1.37 (31 March 2021: approximately 1.41).

As at 30 September 2021, the Group had borrowings of approximately RMB893 million which are due within one year and guaranteed notes of approximately RMB208 million. The gearing ratio, which is debt-to-equity ratio, of the Group was approximately 0.74 compared to approximately 0.85 as at 31 March 2021.

Capital Expenditure on Property, Plant and Equipment

Capital expenditure for purchase of property, plant and equipment amounted to approximately RMB14 million (six months ended 30 September 2020: approximately RMB5 million) for the Period.

Pledge of Assets

As at 30 September 2021, the Group pledged assets in aggregate amount of approximately RMB461 million (31 March 2021: approximately RMB466 million) to banks for banking facilities.

Capital Commitments

As at 30 September 2021, the Group had no material capital commitments.

Contingent Liabilities

As at 30 September 2021, the Group had no contingent liabilities.

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

DIVIDEND

The Board of Directors have resolved not to declare an interim dividend for the six months ended 30 September 2021 (for the six months ended 30 September 2020: nil).

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 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, the executive Director and Mr. Zhou Jian, the retired executive Director of the Company, were unable to attend the 2021 annual general meeting of the Company held on 20 September 2021 (the “**2021 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 2021 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 2021 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 2021 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 2021

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