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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 2022

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 2022 (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	
		2022	2021
	Notes	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Gross amounts from operations	3	<u>3,382,162</u>	<u>3,630,900</u>
Gross amounts of oil and gas sales contracts		2,147,987	2,631,496
Gross amounts of oil and gas purchase contracts		<u>(2,106,907)</u>	<u>(2,592,762)</u>
Other revenue	3	1,234,175	999,404
Cost of sales and services		<u>(1,150,760)</u>	<u>(873,388)</u>
Gross profit		<u>124,495</u>	<u>164,750</u>

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB'000</b>	<i>RMB'000</i>
		<b>(Unaudited)</b>	(Unaudited)
Other income	4	1,486	972
Other gains and losses	5	69,847	(10,395)
Reversal of impairment losses under expected credit loss model, net		1,527	1,073
Distribution and selling expenses		(5,570)	(5,889)
Administrative expenses		(35,688)	(33,705)
Share of results of associates		(6,193)	6,051
Finance costs		(36,100)	(40,349)
		<hr/>	<hr/>
Profit before tax	6	113,804	82,508
Income tax expense	7	(11,307)	(12,333)
		<hr/>	<hr/>
Profit for the period		102,497	70,175
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		(1,306)	782
		<hr/>	<hr/>
Other comprehensive (expense) income for the period		(1,306)	782
		<hr/>	<hr/>
Total comprehensive income for the period		<b>101,191</b>	<b>70,957</b>
		<hr/>	<hr/>
Profit for the period attributable to:			
Owners of the Company		89,561	38,829
Non-controlling interests		12,936	31,346
		<hr/>	<hr/>
		<b>102,497</b>	<b>70,175</b>
		<hr/>	<hr/>
Total comprehensive income attributable to:			
Owner of the Company		88,255	39,611
Non-controlling interests		12,936	31,346
		<hr/>	<hr/>
		<b>101,191</b>	<b>70,957</b>
		<hr/>	<hr/>
Earnings per share ( <i>RMB cents</i> )	9		
– Basic		1.368	0.593
		<hr/>	<hr/>
– Diluted		1.368	0.593
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 September 2022</b>	As at 31 March 2022
	<i>Notes</i>	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>12</i>	<b>574,069</b>	590,749
Right-of-use assets		<b>35,080</b>	36,027
Goodwill		<b>34,070</b>	34,070
Intangible asset		<b>5,997</b>	6,201
Interests in associates		<b>117,250</b>	123,442
Derivative financial instrument		<b>2,500</b>	2,500
Deferred tax assets		<b>629</b>	633
		<hr/> <b>769,595</b> <hr/>	<hr/> 793,622 <hr/>
<b>CURRENT ASSETS</b>			
Inventories		<b>26,370</b>	18,754
Trade and other receivables	<i>10</i>	<b>2,682,001</b>	2,387,470
Contract assets		<b>2,067</b>	4,283
Amount due from an associate		<b>380</b>	380
Amounts due from non-controlling equity owners of subsidiaries		<b>1,204</b>	1,204
Financial assets at fair value through profit or loss		<b>6,456</b>	6,346
Tax recoverable		<b>6,453</b>	5,123
Pledged bank deposits		<b>89,013</b>	94,036
Bank balances and cash		<b>57,034</b>	123,337
		<hr/> <b>2,870,978</b> <hr/>	<hr/> 2,640,933 <hr/>

		As at 30 September 2022 <i>RMB'000</i> (Unaudited)	As at 31 March 2022 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade payables and other liabilities	11	689,371	545,817
Contract liabilities		87,907	46,515
Amounts due to associates		142	95,835
Tax payable		94,818	93,138
Bank and other borrowings due within one year	13	897,990	885,340
Lease liabilities		979	833
Guaranteed notes		25,857	177,628
		<u>1,797,064</u>	<u>1,845,106</u>
<b>NET CURRENT ASSETS</b>			
		<u>1,073,914</u>	<u>795,827</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>1,843,509</u>	<u>1,589,449</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	14	551,378	551,378
Reserves		903,515	815,260
		<u>1,454,893</u>	<u>1,366,638</u>
Equity attributable to owners of the Company		1,454,893	1,366,638
Non-controlling interests		163,748	150,812
		<u>1,618,641</u>	<u>1,517,450</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		13,786	13,897
Bank and other borrowings due within one year		57,000	57,000
Lease liabilities		935	1,102
Guaranteed notes		153,147	–
		<u>224,868</u>	<u>71,999</u>
		<u>1,843,509</u>	<u>1,589,449</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Other reserve <i>RMB'000</i> <i>(note a)</i>	Statutory surplus reserve <i>RMB'000</i> <i>(note b)</i>	Designated safety fund <i>RMB'000</i> <i>(note c)</i>	Translation reserve <i>RMB'000</i>	Retained earnings/ (Accumulated loss) <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
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>
At 1 April 2022 (audited)	<b>551,378</b>	<b>4,466,908</b>	<b>(3,775,606)</b>	<b>79,895</b>	<b>49,584</b>	<b>(6,485)</b>	<b>964</b>	<b>1,366,638</b>	<b>150,812</b>	<b>1,517,450</b>
Profit for the period	-	-	-	-	-	-	89,561	89,561	12,936	102,497
Other comprehensive expense for the period	-	-	-	-	-	(1,306)	-	(1,306)	-	(1,306)
Total comprehensive (expense) income for the period	-	-	-	-	-	(1,306)	89,561	88,255	12,936	101,191
Transfer to designated statutory fund	-	-	-	(26)	-	-	26	-	-	-
Transfer to designated safety fund	-	-	-	-	5,954	-	(5,954)	-	-	-
At 30 September 2022 (unaudited)	<u><b>551,378</b></u>	<u><b>4,466,908</b></u>	<u><b>(3,775,606)</b></u>	<u><b>79,869</b></u>	<u><b>55,538</b></u>	<u><b>(7,791)</b></u>	<u><b>84,597</b></u>	<u><b>1,454,893</b></u>	<u><b>163,748</b></u>	<u><b>1,618,641</b></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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash (used in) from operating activities	<u><b>(78,041)</b></u>	<u>221,506</u>
Net cash used in investing activities	<u><b>(6,000)</b></u>	<u>(91,490)</u>
Net cash from (used in) financing activities	<u><b>19,049</b></u>	<u>(111,301)</u>
Net (decrease) increase in cash and cash equivalents	<b>(64,992)</b>	18,715
Cash and cash equivalents at 1 April	<b>123,337</b>	45,841
Effect of foreign exchange rate changes, net	<u><b>(1,311)</b></u>	<u>781</u>
Cash and cash equivalents at 30 September	<u><b>57,034</b></u>	<u>65,337</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 profit attributable to owners of the Company of approximately RMB89,561,000 for the six months ended 30 September 2022 (for the six months ended 30 September 2021: RMB38,829,000) and as at 30 September 2022 the Group had net current assets of approximately RMB1,073,914,000 (As at 31 March 2022: approximately RMB795,827,000).

## 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 2022, 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>Reference to the Conceptual Framework</i>
Amendments to HKFRS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to HKFRS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018 – 2020</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 2022

	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>859,314</u>	<u>2,147,987</u>	<u>361,790</u>	<u>3,369,091</u>	<u>13,071</u>	<u>3,382,162</u>
Segment results	<u>57,443</u>	<u>34,546</u>	<u>(3,316)</u>	<u>88,673</u>	<u>(53)</u>	<u>88,620</u>
Interest income						857
Other gains and losses						69,847
Share of results of associates						(6,193)
Finance costs						(36,100)
Unallocated corporate expenses						<u>(3,227)</u>
Profit before tax						<u>113,804</u>

### 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>	<u>129,262</u>
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>

## 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 RMB1,275,255,000 (for the six months ended 30 September 2021: RMB1,038,138,000) comprising (i) revenue from oil and gas sales contracts of RMB41,080,000 (for the six months ended 30 September 2021: RMB38,734,000) and (ii) other revenue from contracts with customers of RMB1,234,175,000 (for the six months ended 30 September 2021: RMB999,404,000). 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Wholesale of LNG	859,314	681,551
Trading of oil and gas contracts	41,080	38,734
Sales of piped gas	352,015	273,803
Construction of gas pipeline infrastructure	9,775	3,025
Sales of vehicle gas at refuelling stations	5,111	9,579
LNG transportation	6,154	30,317
Sales commission	1,806	1,129
	<u>1,275,255</u>	<u>1,038,138</u>

## 4. OTHER INCOME

	Six months ended 30 September	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Banks interest income	857	837
Other	629	135
	<u>1,486</u>	<u>972</u>

## 5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net foreign exchange gains (losses)	<u>69,847</u>	<u>(10,395)</u>

## 6. PROFIT BEFORE TAX

	Six months ended 30 September	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	198	203
Depreciation of right-of-use assets	1,319	1,395
Cost of inventories recognised as an expense	778,515	601,961
Depreciation of property, plant and equipment	29,878	29,787
Directors' emoluments	1,540	1,837
Salaries and other benefits	14,251	20,703
Retirement benefits contributions	3,392	2,915
Total staff costs (excluding directors' emoluments)	<u>17,643</u>	<u>23,618</u>

## 7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
The charge (credit) comprises:		
Current taxation		
PRC Enterprise Income Tax ("EIT")	11,031	12,383
	<u>11,031</u>	<u>12,383</u>
Deferred taxation		
Current period	276	(50)
	<u>276</u>	<u>(50)</u>
	<u>11,307</u>	<u>12,333</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% (2021: 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% (2021: 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.

According to the PRC income tax law and its relevant regulations issued in 2019, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% and from 1 January 2022, changed to 2.5% (for taxable income less than RMB1,000,000) or 10% and from 1 January 2022, changed to 5% (for taxable income range from RMB1,000,000 to RMB3,000,000). During the period ended 30 September 2022, four (2021: four) of the PRC subsidiaries of the Group was qualified as small and low profit enterprise and entitled to the preferential income tax rate of 2.5% (2021: 5%).

## **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 PER SHARE**

The calculation of the basic earnings per share for the six months ended 30 September 2022 is based on the profit attributable to owners of the Company of approximately RMB89,561,000 (for the six months ended 30 September 2021: approximately RMB38,829,000) and the weighted average number of 6,545,621,131 (as at 30 September 2021: 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 2022 and 2021.

## 10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2022 <i>RMB'000</i> (Unaudited)	As at 31 March 2022 <i>RMB'000</i> (Audited)
Trade receivables	1,343,185	1,239,683
Less: Allowance for credit losses	<u>(9,949)</u>	<u>(11,476)</u>
	1,333,236	1,228,207
Other receivables	16,214	9,218
Prepayments	<u>1,332,551</u>	<u>1,150,045</u>
	<u><u>2,682,001</u></u>	<u><u>2,387,470</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 360 days (2021: 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 2022 <i>RMB'000</i> (Unaudited)	As at 31 March 2022 <i>RMB'000</i> (Audited)
Within 30 days	151,988	112,932
31-90 days	227,321	78,942
91-180 days	273,235	212,940
181-365 days	442,520	622,490
Over 365 days	<u>238,172</u>	<u>200,903</u>
	<u><u>1,333,236</u></u>	<u><u>1,228,207</u></u>

## 11. TRADE PAYABLES AND OTHER LIABILITIES

	As at <b>30 September</b> 2022 <i>RMB'000</i> (Unaudited)	As at 31 March 2022 <i>RMB'000</i> (Audited)
Trade payables	432,312	352,753
Other payables	82,497	62,857
Other tax payables	20,345	27,056
Payroll payables	2,186	551
Receipt from exercise of put option	2,500	2,500
Receipts in advance	149,531	100,100
	<u>689,371</u>	<u>545,817</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 <b>30 September</b> 2022 <i>RMB'000</i> (Unaudited)	As at 31 March 2022 <i>RMB'000</i> (Audited)
Within 90 days	197,522	115,176
91-180 days	231,652	21,554
181-365 days	977	214,328
Over 1 years	2,161	1,695
	<u>432,312</u>	<u>352,753</u>

## 12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately RMB13,654,000 (for the six months ended 30 September 2021: approximately RMB14,041,000) 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 RMB843 million (for the six months ended 30 September 2021: approximately RMB77 million). The loans carry interest at fixed/variable market rates of 3.7%-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 RMB830 million (for the six months ended 30 September 2021: approximately RMB210 million).

### 14. SHARE CAPITAL

	Number of shares '000	Share capital '000
Shares of HK\$0.10 each		
Authorised:		
As at 1 April 2021 (audited), 31 March 2022 (audited) and 30 September 2022 (unaudited)	<u>10,000,000</u>	<u>HK\$1,000,000</u>
Ordinary shares, issued and fully paid:		
As at 1 April 2021 (audited), 31 March 2022 (audited) and 30 September 2022 (unaudited)	<u>6,545,621</u>	<u>RMB551,378</u>

### 15. RELATED PARTIES TRANSACTIONS

	Six months ended 30 September	
	2022	2021
	<b>RMB'000</b>	<b>RMB'000</b>
	(Unaudited)	(Unaudited)
Sales of oil and gas contract to a related party	<u>–</u>	<u>211,689</u>
Purchase LNG from an associate	<u>235,067</u>	<u>199,320</u>

## **DIVIDEND**

The Board of Directors have resolved not to declare an interim dividend for the six months ended 30 September 2022 (for the six months ended 30 September 2021: nil).

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

### **Group results**

During the period from 1 April 2022 to 30 September 2022 (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 RMB3,382 million (six months ended 30 September 2021: approximately RMB3,631 million) with profit after tax of approximately RMB102 million (six months ended 30 September 2021: approximately RMB70 million), mainly contributed by the production and sales of LNG and oil and gas transactions.

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

During the Period, the Group produced approximately 225,000,000 cubic meters of LNG, representing a decrease of approximately 46,000,000 cubic meters or 17.1% compared with the same period of last year. The turnover from the sales of LNG business for the Period was approximately RMB859 million, representing an increase of approximately RMB178 million or 26.1% compared with the same period of last year, contributing approximately 25.4% of the total turnover of the Group. Meanwhile, gross profit increased slightly by approximately RMB1 million to approximately RMB81 million (six months ended 30 September 2021: approximately RMB80 million), with gross profit margin decreased from approximately 11.7% to approximately 9.4%.

With the growing gap between LNG consumption and domestic production, coupled with the substantial increase in domestic gas prices, has led to a significant increase in the average selling prices of LNG. However, as the purchase cost of natural gas surged simultaneously due to the high and volatile of the import gas prices, the gross profit margin for the production eventually declined.

### **Sales of piped gas**

During the period, revenue arising from sales of piped gas increased to approximately RMB352 million from approximately RMB274 million, representing an increase of approximately RMB78 million or 28.6% compared with the last period, contributing approximately 10.4% of the total turnover of the Group. Gross profit, however, turn negative to approximately RMB3 million from approximately RMB42 million (six months ended 30 September 2021), this is due to the continued increase in the piped gas supply cost, and the price adjustment to reflect such increased cost to local customers is subject to government consent which generally has a time lag, and as a result of which, we had to bear the increased cost of piped gas supply prior to the approval from the government in the Period.

## **Oil and gas transactions**

During the Period, revenue arising from oil and gas transactions decreased to approximately RMB2,148 million from approximately RMB2,631 million, contributing approximately 63.5% of the total turnover of the Group, representing a decrease of approximately RMB483 million or 18.4% from the six months ended 30 September 2021. Gross profit, however, increased to approximately RMB43 million from approximately RMB39 million, with gross profit margin increased from approximately 1.5% to approximately 2%.

At present, there are still uncertainties in the trend of international oil and gas prices. The management will continue to enhance efficiency and reduce cost, and adopt cautionary steps while seeking for profitable trading opportunities.

## **Prospect**

Looking ahead, despite the recurring COVID-19 pandemic continuing to create a series of uncertainties, the global economy is expected to continue to recover at a steady pace. Affected by the geopolitical turmoil, energy prices fluctuate at high level, causing an impact on short-term energy supply. Under the effective measures imposed by the PRC government, the fundamentals for the long-term improvement of China economy will remain unchanged.

Along with the steady recovery of the domestic economy and a clear low-carbon goal, 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 2022 was approximately RMB3,382 million (six months ended 30 September 2021: approximately RMB3,631 million). The decrease in turnover was mainly attributable to the decrease in the oil and gas transactions which reported a turnover of approximately RMB2,148 million during the Period (six months ended 30 September 2021: approximately RMB2,631 million).

## **Gross Profit**

Gross profit for the period ended 30 September 2022 was approximately RMB125 million (six months ended 30 September 2021: approximately RMB165 million). The decrease in gross profit was primarily due to the continued increase in the supply cost of natural gas during the period. The Group's gross profit margin for the six months ended 30 September 2022 decreased from approximately 4.5% (six months ended 30 September 2021) to approximately 3.7%.

## **Other Income**

Other income for the period ended 30 September 2022 was approximately RMB1 million (six months ended 30 September 2021: approximately RMB1 million).

## **Other Gains and Losses**

For the six months ended 30 September 2022, net foreign exchange gains were approximately RMB70 million (six months ended 30 September 2021: net losses of approximately RMB10 million). The gains was mainly due to the result of fluctuations in the exchange rates.

## **Administrative Expenses**

The Group's administrative expenses for the period ended 30 September 2022 amounted to approximately RMB36 million (six months ended 30 September 2021: approximately RMB34 million) representing an increase of approximately 5.9% as compared to the last period.

## **Finance Costs**

The Group incurred finance costs of approximately RMB36 million during the Period (six months ended 30 September 2021: approximately RMB40 million), representing a decrease of approximately 10.5%. The decrease was mainly due to the decrease in the average balance of bank and other borrowings.

## **Income Tax Expenses**

For the period ended 30 September 2022, income tax expenses of the Group were approximately RMB11 million (six months ended 30 September 2021: approximately RMB12 million), representing a decrease of approximately RMB1 million.

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

As at 30 September 2022, the Group's maintained bank balances and cash of approximately RMB57 million (31 March 2022: approximately RMB123 million).

The net current assets of the Group as at 30 September 2022 were approximately RMB1,074 million (31 March 2022: approximately RMB796 million). The current ratio was approximately 1.60 (31 March 2022: approximately 1.43).

As at 30 September 2022, the Group had borrowings of approximately RMB898 million which are due within one year and approximately RMB57 million which are repayable after one year, and guaranteed notes of approximately RMB179 million. The gearing ratio, which is debt-to-equity ratio, of the Group was approximately 0.70 compared to approximately 0.74 as at 31 March 2022.

### **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 2021: approximately RMB14 million) for the Period.

### **Pledge of Assets**

As at 30 September 2022, the Group pledged assets in aggregate amount of approximately RMB425 million (31 March 2022: approximately RMB461 million) to banks for banking facilities.

### **Capital Commitments**

As at 30 September 2022, the Group had no material capital commitments.

### **Contingent Liabilities**

As at 30 September 2022, the Group issued financial guarantee to the bank in respect of a bank loan obtained by an associate of RMB19.5 million (2021: Nil) representing the amount that could be required to be paid if the guarantee was called upon in entirety by the bank.

### **Treasury Policy**

The Group mainly operates in China with most of the transactions denominated and settled in RMB, 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 2022, the Group had about 340 employees (31 March 2022: about 390). 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 Corporate Governance Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2022, except for the deviations discussed below.

### **Code provision C.2.1**

Pursuant to C.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 F.2.2**

Pursuant to F.2.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Wang Jianqing, the Chairman of the Board and Mr. Bao Jun, the executive Director of the Company, were unable to attend the 2022 annual general meeting of the Company held on 26 September 2022 (the “**2022 AGM**”) in person due to the travel restrictions arising from the COVID-19 pandemic, but attended via telephone. However, Mr. Wong Chi Keung, an independent non-executive Director, had taken the chair of the 2022 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 2022 AGM.

### **Code provision C.6.2**

Pursuant to C.6.2 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 2022 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](http://www.hkexnews.hk) under “**Latest Listed Company Information**” and on the company website at [www.yuanhenggas.com](http://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 2022

*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.*