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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)

(I) PROFIT WARNING

AND

**(II) INSIDE INFORMATION: SUSPENSION OF BUSINESS OPERATION OF A
NON-WHOLLY OWNED SUBSIDIARY IN THE SALES OF PIPED GAS BUSINESS
SEGMENT**

SUMMARY

(I) PROFIT WARNING

The Board wishes to inform the Shareholders and potential investors that, based on the preliminary assessment of the information currently available to the Board, for the year ended 31 March 2023 (“FY 22-23”), the Group is expected to record (a) a decrease in gross amounts from operations by 5.8% as compared to the year ended 31 March 2022 (“FY21-22”); (b) a decrease of more than 50% of the consolidated profit for the year attributable to the owners of the Company of approximately RMB64 million recognised for FY21-22; and (c) a significant loss for the year as opposed to a consolidated profit for the year approximately of RMB95.7 million recognised for FY21-22.

Such decrease in gross amounts from operations was due to a decrease in revenue attributable to one of the Group’s business segment, the Sales of Piped Gas segment. Huaheng Energy, an indirect non-wholly owned subsidiary of the Group, has not been able to renew and obtain the Permit before its expiry and was unable to continue its Sales of Piped Gas business operation since August 2022, as a result, any income and corresponding profits of the Sales of Piped Gas business segment operated by Huaheng Energy could not be recognized by the Group. Moreover, as at the financial year ended 31 March 2023, Huaheng Energy was still unable to renew the Permit, the Group has to incur a substantial amount of impairment losses (“Impairment Losses”) on the carrying amounts of assets and investments in relation to Huaheng Energy and its suspension of Sales of piped gas operation. Up to the date of this announcement, the Board is still accessing the reasonable scale of such Impairment Losses, which would be not less than RMB150 million. The Board expects such Impairment Losses will significantly affect the financial result of FY22-23.

**(II) SUSPENSION OF BUSINESS OPERATION OF A NON-WHOLLY OWNED
SUBSIDIARY IN THE SALES OF PIPED GAS BUSINESS SEGMENT**

Huaheng Energy, a non-wholly owned subsidiary of the Company, is a licensed natural gas dealer principally engaged in the supply and sale of LNG and piped natural gas in the Renhuai Winery Region. As at the date of this announcement, Huaheng Energy has suspended its operation pending the issue of the renewed Permit.

In early May 2022, Huaheng Energy applied to the Bureau for the renewal of the Permit but such application was rejected by the Bureau because there was an overlap of the operation area (「經營範圍重疊」) with another business entity.

On 11 August 2022, Huaheng Energy received official order to suspend its business operation for failing to have a valid Permit. Huaheng Energy suspended its business operation accordingly. The Company then realized that Guizhou Gas had failed to submit satisfactory responses to the Bureau.

No progress was made since then regarding the Huaheng Energy's Permit renewal.

The Company will consider all available options and the preferable choice is to have the issue resolved with Huaheng Energy able to recommence its business and obtain appropriate compensation from Guizhou Gas. If Huaheng Energy is not able to renew its Permit in a prolonged time, the Company may consider to dispose of Huaheng Energy and seek compensation from Guizhou Gas.

Save as the above-mentioned incident in respect of Sales of piped gas business operation by Huaheng Energy, despite the instability and volatile market environment, the Board would like to highlight that other business operations of the Group remain as usual.

This announcement is made by the Yuan Heng Gas Holdings Company Limited (the “Company”, together with its subsidiaries, the “Group”) pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

(I) PROFIT WARNING

The Board wishes to inform the Shareholders and potential investors that, based on the preliminary assessment of the information currently available to the Board, for the year ended 31 March 2023 (“FY 22-23”), the Group is expected to record (a) a decrease in gross amounts from operations by 5.8% as compared to the year ended 31 March 2022 (“FY21-22”); (b) a decrease of more than 50% of the consolidated profit for the year attributable to the owners of the Company of approximately RMB64 million recognised for FY21-22; and (c) a significant loss for the year as opposed to a consolidated profit for the year approximately of RMB95.7 million recognised for FY21-22.

Such decrease in gross amounts from operations was due to a decrease in revenue attributable to one of the Group's business segment, the Sales of Piped Gas segment. Huaheng Energy, an indirect non-wholly owned subsidiary of the Group, has not been able to renew and obtain the Permit before its expiry and was unable to continue its Sales of Piped Gas business operation since August 2022, as a result, any income and corresponding profits of the Sales of Piped Gas business segment operated by Huaheng Energy could not be recognized by the Group. Moreover, as at the financial year ended 31 March 2023, Huaheng Energy was still unable to renew the Permit, the

Group has to incur a substantial amount of impairment losses (“**Impairment Losses**”) on the carrying amounts of assets and investments in relation to Huaheng Energy and its suspension of Sales of Piped Gas operation. Up to the date of this announcement, the Board is still accessing the reasonable scale of such Impairment Losses, which would be not less than RMB150 million. The Board expects such Impairment Losses will significantly affect the financial result of FY22-23.

Based on the unaudited management account of the Group for the year ended 31 March 2023, revenue from the Sales of Piped Gas business segment up to the suspension of operation by Huaheng Energy in August 2022 amounted to about RMB364 million, approximately 18% of the total revenue of the Group for FY 22-23. For the FY 21-22, the total revenue generated by the Sales of Piped Gas business segment was approximately RMB662 million, represented about 27% of the total revenue of the Group for FY 21-22.

On the other hand, if the Impairment Losses are disregarded, the Board anticipates that there will be profit for FY 22-23.

The financial information contained in this announcement is only based on a preliminary assessment by the management of the Company based on the information currently made available (including the Group’s unaudited consolidated management accounts, which are not audited by the Company’s auditor). The actual results of the Group for the year ended 31 March 2023 may differ from what is disclosed herein. Further details of the Group’s financial performance shall be disclosed in the Company’s results announcement for the year ended 31 March 2023 which is expected to be published on 30 June 2023.

(II) SUSPENSION OF BUSINESS OPERATION OF A NON-WHOLLY OWNED SUBSIDIARY IN THE SALES OF PIPED GAS BUSINESS SEGMENT

Information of Huaheng Energy

Huaheng Energy, a non-wholly owned subsidiary of the Company, is a licensed natural gas dealer principally engaged in the supply and sale of LNG and piped natural gas in the Renhuai Winery Region. As at the date of this announcement, Huaheng Energy has suspended its operation pending the issue of the renewed Permit.

Background of Huaheng Energy

Huaheng Energy was established in June 2011 and has been held as to 49%, 1% and 50% directly by Guangzhou Yuanheng, Dazhou Huixin, and Guizhou Gas respectively. Dazhou Huixin is owned by Guangzhou Yuanheng as to 69%, and is an indirectly non-wholly owned subsidiary of Guangzhou Yuanheng. The purpose of establishing Huaheng Energy was to utilize it to carry out the supply and sale of LNG and piped natural gas in the Renhuai Winery Region. Guizhou Gas would extend part of its Exclusive Rights to supply natural gas in certain cities (including Renhuai where the Renhuai Winery Region is located) to Huaheng Energy and would be responsible for obtaining the Permit for Huaheng Energy for the supply and sale of natural gas in Renhuai Winery Region, and Guangzhou Yuanheng would be responsible for the management (and would have management control) of Huaheng Energy. Huaheng Energy obtained its first Permit in July 2013 which was valid for a term of 3 years.

The Company acquired the “Yuanheng Gas Group” comprising Guangzhou Yuanheng, Dazhou Huixin and Huaheng Energy in May 2014, where more information and background details were

set out in the circular of the Company dated 13 April 2014. Since completion of the acquisition on 16 May 2014, Guangzhou Yuanheng became a wholly owned subsidiary and Dazhou Huixin and Huaheng Energy became non-wholly owned subsidiaries of the Company.

Huaheng Energy had successfully renewed and obtained the renewed Permit in 2016 and 2019 and has been continuing the same business activities in the same business region under the same shareholding and management structures.

Permit renewal applications

In early May 2022, Huaheng Energy applied to the Bureau for the renewal of the Permit but such application was rejected by the Bureau because there was an overlap of the operation area (「經營範圍重疊」) with another business entity.

Huaheng Energy immediately sought advice from a sub-unit of the Bureau and obtained further information from Guizhou Gas and had resubmitted the renewal application in late May 2022. At that time, the Company was of the view that the refiled renewal application of the Permit would not face any difficulty as the Bureau which rejected the first application had accepted the refiled application and it was only a minor administrative or procedural error.

In mid July 2022, Huaheng Energy together with its shareholders formally met with the Bureau about the renewal application. In the meeting, the Bureau requested the parties, in particular Guizhou Gas to submit further information by 10 August 2022 to show that Guizhou Gas had been in compliance with the relevant terms under the Exclusive Rights and to clarify the overlapping operation area issue, failing which Huaheng Energy would have to suspend its operation until the Permit is renewed.

Events after Huaheng Energy's failure to obtain renewed Permit

On 11 August 2022, Huaheng Energy received official order to suspend its business operation for failing to have a valid Permit. Huaheng Energy suspended its business operation accordingly. The Company then realized that Guizhou Gas had failed to submit satisfactory responses to the Bureau, which the Company initially considered it would be quick and straightforward for the reasons that Guizhou Gas has inherent interest in Huaheng Energy as it holds 50% of its equity interest, the matter also affected their Exclusive Rights, and the overlapping area was between Huaheng Energy and Guizhou Renhuai, a wholly-owned subsidiary of Guizhou Gas.

On the other hand, according to the terms of the Exclusive Rights, all licensed natural gas dealers engaging in sale and supply of natural gas (which is applicable to Huaheng Energy) are required to maintain a stable and safe supply of gas in their respective licensed operation area. Notwithstanding that, the Company also had taken steps to ensure there were minimum gas supply disruptions from the Group's suppliers or to the Group's customers. In respect of the wineries in Huaheng Energy's operation area, Guizhou Renhuai became responsible for the supply and sale of piped natural gas in the Renhuai Winery Region so that the wineries could have continuous supply of gas, and at the same time eliminated any litigation risk of Huaheng Energy's failure to supply gas to those wineries since Huaheng Energy has suspended its business operation. It should be noted that during such time, many regions of China still imposed very stringent epidemic closure policies to counter new waves of Covid-19, and there were fluctuations and instability in the global energy market in terms of supply, demand and logistics.

No progress was made since then regarding the Huaheng Energy's Permit renewal.

Based on public information, the Company noticed that Guizhou Gas announced on 17 March 2023 that it would undergo certain shareholding and corporate restructuring the result of which Guizhou Gas will be changed from a private enterprise to a state-controlled enterprise and would have changes in the board and management team of Guizhou Gas. It is expected there will likely be a comprehensive review on its business by their new management team. Against such background, the Company believed Guizhou Gas was unable to provide the outstanding information to the satisfaction of the Renhuai City Government earlier and may need more time to fulfill it. For this reason, the Board could only hope for a speedy completion of the reorganization of Guizhou Gas and its core management, and a conclusion of the business review by the new core management. Guizhou Gas should then be able to provide information satisfactory to the Bureau and Huaheng Energy should be able to renew the Permit.

In April 2023, another formal meeting was held between, amongst others, Huaheng Energy, Huaheng Energy's three shareholders and the Bureau. In that meeting, the Bureau reiterated that primary responsibility and matters remaining outstanding was Guizhou Gas to provide sufficient information to the satisfaction of the Bureau that Guizhou Gas complies with the terms under the Exclusive Rights and to ascertain the corporate relationship and business operation coverage with each other and in particular, between Guizhou Renhuai and Huaheng Energy before Huaheng Energy would be able to renew the Permit.

The Board's view

By reasons of the above-mentioned external factors, the Board would like to emphasize that neither the Company nor Huaheng Energy would be able to resolve the Permit renewal issue unilaterally without the involvement of Guizhou Gas and with the Bureau's satisfaction. In the meantime, Huaheng Energy could only wait for the completion of the reorganization of Guizhou Gas and its core management, and a conclusion of the business review by the new core management. By then Guizhou Gas will be in a better position to address any outstanding matters and/or information required by the Bureau, and to clarify for any alleged overlap in the operation area between Guizhou Renhuai and Huaheng Energy.

The Board will proactively and prudently pursue the renewed Permit of Huaheng Energy, and anticipates to have constructive dialogues with the new management of Guizhou Gas for the provision of outstanding information to the satisfaction of the Bureau. Also, the Board will explore with the new management of Guizhou Gas for potential compensation for losses suffered as a result of the failure to renew the Permit for Huaheng Energy. The Board has been seeking PRC legal advice and will take appropriate action when the situation becomes clearer.

The Company will consider all available options and the preferable choice is to have the issue resolved with Huaheng Energy able to recommence its business and obtain appropriate compensation from Guizhou Gas. If Huaheng Energy is not able to renew its Permit in a prolonged time, the Company may consider to dispose of Huaheng Energy and seek compensation from Guizhou Gas.

Further announcement(s) will be made by the Company in compliance with the Listing Rules as and when appropriate or required.

Save as the above-mentioned incident in respect of Sales of piped gas business operation by Huaheng Energy, despite the instability and volatile market environment, the Board would like to highlight that other business operations of the Group remain as usual.

Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors
“Bureau”	仁懷市綜合行政執法局 (Renhuai Municipal Integrated Administrative Bureau*)
“Company”	Yuan Heng Gas Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“Dazhou Huixin”	達州市匯鑫能源有限公司 (Dazhou City Hui Xin Energy Co., Ltd.*), an indirect non-wholly owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“Exclusive Rights”	exclusive rights granted to Guizhou Gas to operate the supply and sale of piped natural gas under (仁懷市城市管道燃氣特許經營協議) an exclusive operation agreement entered into between the Renhuai Municipal Government and Guizhou Gas on 30 January 2007
“Guangzhou Yuanheng”	廣州元亨燃氣有限公司 (Guangzhou Yuanheng Gas Co., Ltd.*), a non-directly wholly owned subsidiary of the Company and is interested in 49% equity interest in Huaheng Energy
“Guizhou Gas”	貴州燃氣集團股份有限公司 (Guizhou Gas Group Joint Stock Co., Ltd.*) (previously known as Guizhou Gas (Group) Co., Ltd.*) a company established under the laws of the PRC and its shares are listed on the Shanghai Stock Exchange
“Guizhou Renhuai”	貴州燃氣(集團)仁懷市燃氣有限責任公司 (Guizhou Gas (Group) Renhuai City Gas Co., Ltd.*), a subsidiary of Guizhou Gas
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Huaheng Energy”	貴州華亨能源投資有限公司 (Guizhou Hua Heng Energy Investment Co., Ltd.*), non-wholly owned subsidiary of the Company whereas Guizhou Gas Holds 50% of its equity interest

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Permit”	a permit (燃氣經營許可證) for qualified providers before commencement of their operations relating to storage, transportation and sales of natural gas and/or LNG in Renhuai City, Guizhou, the PRC for a period of years and renewable pursuant to the applicable requirements from time to time
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Renhuai Municipal Government”	the Municipal Government of Renhuai City, Guizhou, the PRC
“Renhuai Winery Region”	Renhuai Famous Wine Industrial Park and Kweichow Moutai Distilleries in Renhuai, Guizhou, PRC
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	Shares of the Company
Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 28 June 2023

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.

** for identification only*