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元亨燃氣

YUANHENG GAS

## YUAN HENG GAS HOLDINGS LIMITED

元亨燃氣控股有限公司

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 332)

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2023

#### RESULTS

The Board (the “**Board**”) of Directors (the “**Directors**”) of Yuan Heng Gas Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 March 2023, together with the comparative figures, as follows:

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

*For the year ended 31 March 2023*

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Gross amounts from operations		<u><b>7,446,796</b></u>	<u>7,902,036</u>
Gross amounts of oil and gas sales contracts		<b>5,500,617</b>	5,527,637
Gross amounts of oil and gas purchase contracts		<b>(5,415,994)</b>	(5,453,305)
Other revenue		<b>1,946,179</b>	2,374,399
	3	<b>2,030,802</b>	2,448,731
Cost of sales and services		<u><b>(1,779,107)</b></u>	<u>(2,146,951)</u>
Gross profit		<b>251,695</b>	301,780
Other income	4	<b>2,942</b>	3,074
Other gains and losses	5	<b>53,817</b>	(18,465)
(Impairment loss) reversal of impairment loss under expected credit loss model, net		<b>(1,310)</b>	8,927
Impairment loss of property, plant and equipment		<b>(144,869)</b>	–
Impairment loss of intangible asset		<b>(5,808)</b>	–
Distribution and selling expenses		<b>(12,179)</b>	(13,662)
Administrative expenses		<b>(85,882)</b>	(83,660)
Share of results of associates		<b>10,171</b>	1,466
Finance costs	6	<u><b>(75,106)</b></u>	<u>(77,605)</u>
(Loss) profit before tax		<b>(6,529)</b>	121,855
Income tax expense	7	<u><b>(21,738)</b></u>	<u>(26,150)</u>
(Loss) profit for the year	8	<u><b>(28,267)</b></u>	<u>95,705</u>
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u><b>(1,251)</b></u>	<u>603</u>
Other comprehensive (expense) income for the year		<u><b>(1,251)</b></u>	<u>603</u>
Total comprehensive (expense) income for the year		<u><b>(29,518)</b></u>	<u>96,308</u>

	<i>Note</i>	<b>2023</b> <b><i>RMB'000</i></b>	2022 <i>RMB'000</i>
(Loss) profit for the year attributable to:			
Owners of the Company		<b>27,385</b>	64,391
Non-controlling interests		<b>(55,652)</b>	31,314
		<u><b>(28,267)</b></u>	<u>95,705</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		<b>26,134</b>	64,994
Non-controlling interests		<b>(55,652)</b>	31,314
		<u><b>(29,518)</b></u>	<u>96,308</u>
Earnings per share ( <i>RMB cents</i> )			
– Basic	9	<u><b>0.42</b></u>	<u>0.98</u>
– Diluted		<u><b>0.42</b></u>	<u>0.98</u>

## II. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Note	2023 RMB'000	2022 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		415,601	590,749
Right-of-use assets		33,809	36,027
Goodwill		34,070	34,070
Intangible asset		–	6,201
Interests in associates		133,613	123,442
Derivative financial instrument		2,500	2,500
Long-term receivable		–	–
Deferred tax assets		298	633
		<u>619,891</u>	<u>793,622</u>
<b>CURRENT ASSETS</b>			
Inventories		22,000	18,754
Trade and other receivables	10	2,763,702	2,387,470
Contract assets		78	4,283
Amount due from an associate		380	380
Amount due from a non-controlling equity owner of a subsidiary		1,204	1,204
Financial asset at fair value through profit or loss		6,517	6,346
Tax recoverable		5,932	5,123
Pledged bank deposits		315,578	94,036
Bank balances and cash		71,662	123,337
		<u>3,187,053</u>	<u>2,640,933</u>

	<i>Note</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables and other liabilities	11	<b>859,386</b>	545,817
Contract liabilities		<b>84,786</b>	46,515
Amounts due to associates		<b>142</b>	95,835
Tax payable		<b>86,454</b>	93,138
Bank borrowings due within one year		<b>1,119,410</b>	885,340
Lease liabilities		<b>710</b>	833
Guaranteed notes		<b>9,870</b>	177,628
		<u><b>2,160,758</b></u>	<u>1,845,106</u>
<b>NET CURRENT ASSETS</b>		<u><b>1,026,295</b></u>	<u>795,827</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>1,646,186</b></u>	<u>1,589,449</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>551,378</b>	551,378
Reserves		<b>842,584</b>	815,260
		<u><b>1,393,962</b></u>	<u>1,366,638</u>
Equity attributable to owners of the Company		<b>1,393,962</b>	1,366,638
Non-controlling interests		<b>93,370</b>	150,812
		<u><b>1,487,332</b></u>	<u>1,517,450</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>11,153</b>	13,897
Bank borrowings due after one year		–	57,000
Lease liabilities		<b>516</b>	1,102
Guaranteed notes		<b>147,185</b>	–
		<u><b>158,854</b></u>	<u>71,999</u>
		<u><b>1,646,186</b></u>	<u>1,589,449</u>

### III. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. GENERAL

Yuan Heng Gas Holdings Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section in the annual report.

The immediate holding company and ultimate holding company of the Company was Champion Ever Limited (“**Champion Ever**”), which is a limited liability company incorporated in the British Virgin Islands and wholly-owned by Mr. Wang Jianqing (“**Mr. Wang**”), the chairman and a director of the Company.

The Group is principally engaged in trading of oil and gas contracts, production and sale of liquefied natural gas (“**LNG**”), sales of vehicle gas at refuelling station, sales of piped gas, LNG transportation and construction of gas pipeline infrastructure.

The consolidated financial statements are presented in Renminbi (“**RMB**”) which is also the presentation currency of the Company.

As at 31 March 2023, the Group had bank balances and cash, bank borrowings due within one year and current portion of guaranteed notes of approximately RMB71,662,000, RMB1,119,410,000 and RMB9,870,000 respectively. Based on the estimation of the future cash flows of the Group, after taking into account of (i) net cash inflows from operating activities; (ii) the ability to renew the current bank loans upon expiry because of the Group’s good track records and relationship with the banks, the directors are of the opinion that the Group will have sufficient working capital to finance its normal operation for the twelve months from the end of the reporting period of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 April 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 Cycle

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

### **New and amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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

### **3. SEGMENT INFORMATION AND REVENUE**

Information reported to the Group's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment focuses on the nature of operations.

Specifically, the Group's reportable segments are as follows:

Production and sales of LNG	Wholesale of LNG
Oil and gas transactions	Trading of oil and gas contracts
Piped gas	Sales of piped gas and construction of gas pipeline infrastructure

In addition, the operations of sales of vehicle gas at refuelling stations and LNG transportation operation are reported as "other operations".

## Segment revenue and results

	Production and sales of LNG RMB'000	Oil and gas transactions RMB'000	Piped gas RMB'000	Total reportable segments RMB'000	Other operations RMB'000	Total RMB'000
<i>Year ended 31 March 2023</i>						
Segment revenue from external customers	<u>1,551,130</u>	<u>5,500,617</u>	<u>364,535</u>	<u>7,416,282</u>	<u>30,514</u>	<u>7,446,796</u>
Segment results	<u>104,516</u>	<u>85,958</u>	<u>(159,461)</u>	<u>31,013</u>	<u>2,478</u>	<u>33,491</u>
Interest income						1,460
Other gains and losses						31,101
Share of results of associates						10,171
Finance costs						(75,106)
Unallocated corporate expenses						<u>(7,646)</u>
Loss before tax						<u><u>(6,529)</u></u>
	Production and sales of LNG RMB'000	Oil and gas transactions RMB'000	Piped gas RMB'000	Total reportable segments RMB'000	Other operations RMB'000	Total RMB'000
<i>Year ended 31 March 2022</i>						
Segment revenue from external customers	<u>1,630,899</u>	<u>5,527,637</u>	<u>662,413</u>	<u>7,820,949</u>	<u>81,087</u>	<u>7,902,036</u>
Segment results	<u>132,576</u>	<u>72,757</u>	<u>9,209</u>	<u>214,542</u>	<u>1,751</u>	<u>216,293</u>
Interest income						1,462
Other gains and losses						(12,004)
Share of results of associates						1,466
Finance costs						(77,605)
Unallocated corporate expenses						<u>(7,757)</u>
Profit before tax						<u><u>121,855</u></u>

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

## Segment assets and liabilities

Information of the operating segments of the Group reported to the CODM for the purposes of resource allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities information are presented.

## Revenue

For segment reporting purpose, segment revenue include (i) gross proceeds of oil and gas sales contracts and (ii) other revenue from customers with contracts, whilst, the Group's total revenue amounted to approximately RMB2,030,802,000 (2022: RMB2,448,731,000) comprising (i) revenue from oil and gas sales contracts of approximately RMB84,623,000 (2022: RMB74,332,000) and (ii) other revenue from contracts with customers of approximately RMB1,946,179,000 (2022: RMB2,374,399,000). Additional line items are presented in consolidated statement of profit or loss and other comprehensive income to separately show the gross amounts of oil and gas sales and purchase contracts.

## Revenue from major products and services

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Wholesale of LNG	1,551,130	1,630,899
Trading of oil and gas contracts	84,623	74,332
Sales of piped gas	352,015	654,117
Construction of gas pipeline infrastructure	12,520	8,296
Sales of vehicle gas at refuelling stations	16,853	35,576
LNG transportation	13,661	45,511
	<u>2,030,802</u>	<u>2,448,731</u>

## 4. OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank interest income	1,460	1,462
Government grants	630	788
Others	852	824
	<u>2,942</u>	<u>3,074</u>

## 5. OTHER GAINS AND LOSSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Net foreign exchange gains (losses)	53,599	(23,906)
Gain on fair value change of financial asset at FVTPL	171	255
Gain (loss) on disposal of property, plant and equipment	47	(52)
Gain on deemed partial disposal of an associate	–	5,212
Gain on early termination of leases	–	26
	<u>53,817</u>	<u>(18,465)</u>

## 6. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on bank borrowings	55,579	58,161
Interest on guaranteed notes	19,451	19,383
Interest on lease liabilities	76	61
	<u>75,106</u>	<u>77,605</u>

## 7. INCOME TAX EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
PRC Enterprise Income Tax (“EIT”)		
– Current year	22,692	27,813
– Under provision in prior year	1,455	273
	<u>24,147</u>	<u>28,086</u>
Deferred taxation	<u>(2,409)</u>	<u>(1,936)</u>
	<u>21,738</u>	<u>26,150</u>

## 8. (LOSS) PROFIT FOR THE YEAR

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
(Loss) profit for the year has been arrived at after charging:		
Auditors' remuneration	943	890
Amortisation of intangible asset (included in administrative expenses)	393	393
Depreciation of right-of-use assets	2,480	2,320
Cost of inventories recognised as an expense	1,759,286	1,996,237
Depreciation of property, plant and equipment	62,953	59,909
Directors' emoluments	3,013	3,637
Salaries and other benefits	46,922	42,238
Contributions to retirement benefit schemes	8,562	7,882
	<u>55,484</u>	<u>50,120</u>

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings for the purposes of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company	<u>27,385</u>	<u>64,391</u>
<b>Number of shares</b>		
	2023 <i>'000</i>	2022 <i>'000</i>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>6,545,621</u>	<u>6,545,621</u>

There were no potential ordinary shares in issue for the years ended 31 March 2023 and 2022.

## 10. TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	1,412,692	1,239,683
Less: Allowance for credit losses	<u>(12,786)</u>	<u>(11,476)</u>
	<u>1,399,906</u>	<u>1,228,207</u>
Other receivables	4,843	9,218
Prepayments	<u>1,358,953</u>	<u>1,150,045</u>
	<u>2,763,702</u>	<u>2,387,470</u>

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the dates of delivery of goods or rendering of services:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 30 days	112,395	112,932
31 – 90 days	354,933	78,942
91 – 180 days	198,580	212,940
181 – 365 days	595,219	622,490
Over 365 days	138,779	200,903
	<u>1,399,906</u>	<u>1,228,207</u>

#### 11. TRADE PAYABLES AND OTHER LIABILITIES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	544,799	352,753
Other payables	78,133	62,857
Other tax payables	36,606	27,056
Payroll payables	1,089	551
Receipt from exercise of put option	2,500	2,500
Consideration payable	600	–
Receipts in advance	195,659	100,100
	<u>859,386</u>	<u>545,817</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 90 days	80,766	115,176
91 – 180 days	22,881	21,554
181 – 365 days	439,096	214,328
Over 365 days	2,056	1,695
	<u>544,799</u>	<u>352,753</u>

## **DIVIDEND**

The Board of Directors did not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: Nil).

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

### **BUSINESS REVIEW**

#### **Group results**

For the year ended 31 March 2023 and at present, the Group has been principally engaged in (i) trading of oil and gas products and the provision of related consultancy services; and (ii) processing, distribution, sales, trading and transportation of LNG and other auxiliary operations and networks in the PRC.

For the year ended 31 March 2023, the Group recorded gross amounts from operations of approximately RMB7,447 million (2022: approximately RMB7,902 million) with loss after tax of approximately RMB28 million (2022: profit of approximately RMB96 million). The Group's performance for the year ended 31 March 2023 was contributed mainly by the production and sales of LNG (as further elaborated under the section headed "Production and sales of LNG").

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

During the year ended 31 March 2023, the Group produced approximately 455 million cubic meters of LNG, representing a decrease of approximately 67 million cubic meters or 12.8% compared with the last year. The revenue from the sales of LNG for the year ended 31 March 2023 was approximately RMB1,551 million representing a decrease of approximately RMB80 million or 4.9% compared with the last year, contributing approximately 20.8% of the total turnover of the Group. Gross profit of the segment, decreased by approximately RMB35 million to approximately RMB169 million (2022: approximately RMB204 million), gross profit margin, decreased from approximately 12.5% to approximately 10.9%. 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 and sales of LNG eventually declined.

#### **Sales of piped gas and construction of gas pipeline infrastructure**

During the year ended 31 March 2023, revenue arising from sales of piped gas and related services decreased to approximately RMB365 million from approximately RMB662 million, representing a decrease of approximately RMB297 million or 45% compared with the last year, contributing approximately 4.9% of the total turnover of the Group. Gross profit of the segment, however, turned negative to a gross loss of approximately RMB8 million (2022: gross profit of approximately RMB14 million), as a result of the termination of the sales of piped gas in August 2022 due to expiry of the gas operation permit, details of which is set out in the announcement of the Company dated 28 June 2023 in relation to the operation suspension of a subsidiary in the sales of piped gas business by which only five months contribution of revenue from the sales of piped gas operation segment was recorded for the year ended 31 March 2023 as compared to twelve months contribution for the year ended 31 March 2022.

## **Oil and gas transactions**

During the year ended 31 March 2023, gross amounts of oil and gas sales contracts decreased to approximately RMB5,501 million from approximately RMB5,528 million, representing a decrease of approximately RMB27 million or 0.5% compared with the last year, contributing approximately 74% of the total turnover of the Group. Gross profit of the segment, increased to approximately RMB85 million from approximately RMB74 million, gross profit margin increased from approximately 1.3% to 1.5%.

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, 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 year ended 31 March 2023 was approximately RMB7,447 million (2022: approximately RMB7,902 million). The decrease in turnover was mainly attributable to the decrease in sales of piped gas of which reported a turnover of approximately RMB352 million during the year ended 31 March 2023 (2022: approximately RMB654 million).

## **Gross Profit**

Gross profit for the year ended 31 March 2023 was approximately RMB252 million (2022: approximately RMB302 million). The decrease in gross profit was primarily due to termination of the sales of piped gas during the year ended 31 March 2023. The Group's gross profit margin for the year ended 31 March 2023 decreased from approximately 3.8% (year ended 31 March 2022) to approximately 3.4%.

## **Other Income**

Other income for the year ended 31 March 2023 was approximately RMB3 million (2022: approximately RMB3 million).

## **Other Gains and Losses**

For the year ended 31 March 2023, other gains, net was approximately RMB54 million (2022: net losses of approximately RMB18 million). The increase was mainly due to benefit from the net foreign exchange gains which was approximately RMB54 million as compared net losses of approximately RMB24 million.

## **Impairment Loss of Property, Plant and Equipment and Intangible Asset**

For the year ended 31 March 2023, the Group recorded impairment loss of property, plant and equipment and intangible asset of approximately RMB151 million (2022: Nil). As mentioned in aforesaid section, upon the expiry of the piped gas operation permit, the Group could not recognize any income and corresponding profits of piped gas segment. Accordingly, the Group performed impairment assessment on the relevant cash-generated unit and recognised impairment loss.

## **Administrative Expenses**

The Group's administrative expenses for the year ended 31 March 2023 amounted to approximately RMB86 million (2022: approximately RMB84 million), representing an increase of approximately 2.7% as compared to the previous year.

## **Finance Costs**

The Group incurred finance costs of approximately RMB75 million during the year ended 31 March 2023 (2022: approximately RMB78 million), representing a decrease of approximately 3.2%. The decrease was mainly due to the decrease in average balance of bank and other borrowings and guaranteed notes during the year ended 31 March 2023.

## **Income Tax Expenses**

The Group is subjected to taxes in Hong Kong and the PRC due to its business operations in these jurisdictions. For the year ended 31 March 2023, income tax expenses of the Group approximately RMB22 million (2022: approximately RMB26 million).

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

As at 31 March 2023, the Group maintained bank balances and cash of approximately RMB72 million (2022: approximately RMB123 million). The net current assets of the Group as at 31 March 2023 were approximately RMB1,026 million (2022: approximately RMB796 million). The current ratio was approximately 1.47 (2022: approximately 1.43). As at 31 March 2023, the Group had borrowings of approximately RMB1,119 million which are due within one year and guaranteed notes of approximately RMB157 million. The gearing ratio, which is debt-to-equity ratio, of the Group was approximately 0.86 as at 31 March 2023 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 RMB33 million (2022: approximately RMB33 million) for the year ended 31 March 2023.

## **Pledge of Assets**

As at 31 March 2023, the Group had pledged assets in an aggregate amount of approximately RMB600 million (2022: approximately RMB461 million) to banks for banking facilities.

## **Capital Commitments**

As at 31 March 2023, the Group had no material capital commitments.

## **Contingent liabilities**

As at 31 March 2023, the Group issued financial guarantee to the bank in respect of a bank loan obtained by an associate of RMB19.5 million (2022: RMB19.5 million) 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 31 March 2023, the Group had about 330 employees (2022: about 390). The remuneration packages are generally structured with reference to market conditions and individual qualifications. Salaries and wages of the Group's employees are normally reviewed on an annual basis based on performance appraisals and other relevant factor.

## **CORPORATE GOVERNANCE**

The Company has complied with all the applicable code provisions set out in the Corporate Governance Code on Corporate Governance Practices (the “**CG Code**”) in Appendix 14 of the Listing Rules throughout the year ended 31 March 2023, 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.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed the consolidated financial statements and this annual results announcement of the Group for the year ended 31 March 2023. The Audit Committee comprises three independent non-executive directors, namely, Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie.

## **SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED**

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2023 as set out in this announcement of results have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the announcement of results.

## **COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions (the "Model Code"). Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard set out in the Model Code throughout the year ended 31 March 2023.

## **EVENTS AFTER THE REPORTING PERIOD**

There are no material subsequent events undertaken by the Group after 31 March 2023 and up to the date of this announcement.

## **DEALING IN COMPANY'S LISTED SECURITIES**

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

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This announcement of results is available for viewing on the website of Hong Kong Exchange and Clearings Limited at [www.hkexnews.hk](http://www.hkexnews.hk) under "Latest Listed Company Information" and on the website at [www.yuanhenggas.com](http://www.yuanhenggas.com). The annual report of the Company contained all the information required by the Listing Rules will be published on the above websites in due course.

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

Hong Kong, 30 June 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.*