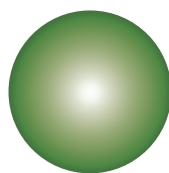


Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2023

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 2023 (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	
		2023	2022
	Notes	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Gross amounts from operations	3	<u>3,188,563</u>	<u>3,382,162</u>
Gross amounts of oil and gas sales contracts		2,707,034	2,147,987
Gross amounts of oil and gas purchase contracts		<u>(2,682,227)</u>	<u>(2,106,907)</u>
Other revenue		481,529	1,234,175
Cost of sales and services		<u>(460,385)</u>	<u>(1,150,760)</u>
Gross profit		<u>45,951</u>	<u>124,495</u>

		Six months ended	
		30 September	
		2023	2022
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Other income	4	906	1,486
Other gains and losses	5	34,880	69,847
Impairment losses under expected credit loss model, net of reversal		2,151	1,527
Distribution and selling expenses		(5,051)	(5,570)
Administrative expenses		(33,199)	(35,688)
Share of results of associates		18,049	(6,193)
Finance costs		(42,275)	(36,100)
		<hr/>	<hr/>
Profit before tax	6	21,412	113,804
Income tax credits (expense)	7	5,019	(11,307)
		<hr/>	<hr/>
Profit for the period		26,431	102,497
		<hr/>	<hr/>
Other comprehensive expense for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(119)	(1,306)
		<hr/>	<hr/>
Other comprehensive expense for the period		(119)	(1,306)
		<hr/>	<hr/>
Total comprehensive income for the period		26,312	101,191
		<hr/>	<hr/>
Profit for the period attributable to:			
Owners of the Company		28,358	89,561
Non-controlling interests		(1,927)	12,936
		<hr/>	<hr/>
		26,431	102,497
		<hr/>	<hr/>
Total comprehensive income attributable to:			
Owners of the Company		28,239	88,255
Non-controlling interests		(1,927)	12,936
		<hr/>	<hr/>
		26,312	101,191
		<hr/>	<hr/>
Earnings per share (<i>RMB cents</i>)	9		
– Basic		0.433	1.368
		<hr/>	<hr/>
– Diluted		0.433	1.368
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2023	As at 31 March 2023
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>12</i>	392,172	415,601
Right-of-use assets		32,835	33,809
Goodwill		34,070	34,070
Interests in associates		151,663	133,613
Derivative financial instrument		2,500	2,500
Deferred tax assets		298	298
		<hr/> 613,538	<hr/> 619,891
CURRENT ASSETS			
Inventories		24,284	22,000
Trade and other receivables	<i>10</i>	2,762,985	2,763,702
Contract assets		723	78
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		6,649	6,517
Tax recoverable		5,706	5,932
Pledged bank deposits		73,006	315,578
Bank balances and cash		17,506	71,662
		<hr/> 2,892,443	<hr/> 3,187,053

		As at 30 September 2023 <i>RMB'000</i> (Unaudited)	As at 31 March 2023 <i>RMB'000</i> (Audited)
CURRENT LIABILITIES			
Trade payables and other liabilities	11	585,168	859,386
Contract liabilities		64,770	84,786
Amounts due to associates		142	142
Tax payable		76,714	86,454
Bank and other borrowings due within one year	13	1,079,680	1,119,410
Lease liabilities		669	710
Guaranteed notes		173,390	9,870
		<u>1,980,533</u>	<u>2,160,758</u>
NET CURRENT ASSETS		<u>911,910</u>	<u>1,026,295</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,525,448</u>	<u>1,646,186</u>
CAPITAL AND RESERVES			
Share capital	14	551,378	551,378
Reserves		870,823	842,584
		<u>1,422,201</u>	<u>1,393,962</u>
Equity attributable to owners of the Company		1,422,201	1,393,962
Non-controlling interests		91,443	93,370
		<u>1,513,644</u>	<u>1,487,332</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		11,547	11,153
Lease liabilities		257	516
Guaranteed notes		–	147,185
		<u>11,804</u>	<u>158,854</u>
		<u>1,525,448</u>	<u>1,646,186</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									Non- controlling Total
	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 <i>RMB'000</i>	Total <i>RMB'000</i>	interests <i>RMB'000</i>	
At 1 April 2022 (audited)	551,378	4,466,908	(3,775,606)	79,895	49,584	(6,485)	964	1,366,638	150,812	1,517,450
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>551,378</u>	<u>4,466,908</u>	<u>(3,775,606)</u>	<u>79,869</u>	<u>55,538</u>	<u>(7,791)</u>	<u>84,597</u>	<u>1,454,893</u>	<u>163,748</u>	<u>1,618,641</u>
At 1 April 2023 (audited)	551,378	4,466,908	(3,775,606)	100,548	47,943	(7,736)	10,527	1,393,962	93,370	1,487,332
Profit for the period	-	-	-	-	-	-	28,358	28,358	(1,927)	26,431
Other comprehensive expense for the period	-	-	-	-	-	(119)	-	(119)	-	(119)
Total comprehensive (expense) income for the period	-	-	-	-	-	(119)	28,358	28,239	(1,927)	26,312
Transfer to designated statutory fund	-	-	-	(4)	-	-	4	-	-	-
Transfer to designated safety fund	-	-	-	-	4,181	-	(4,181)	-	-	-
At 30 September 2023 (unaudited)	<u>551,378</u>	<u>4,466,908</u>	<u>(3,775,606)</u>	<u>100,544</u>	<u>52,124</u>	<u>(7,855)</u>	<u>34,708</u>	<u>1,422,201</u>	<u>91,443</u>	<u>1,513,644</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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	<u>(271,880)</u>	<u>(78,041)</u>
Net cash used in investing activities	<u>(1,335)</u>	<u>(6,000)</u>
Net cash from financing activities	<u>219,177</u>	<u>19,049</u>
Net decrease in cash and cash equivalents	(54,038)	(64,992)
Cash and cash equivalents at 1 April	71,662	123,337
Effect of foreign exchange rate changes, net	<u>(118)</u>	<u>(1,311)</u>
Cash and cash equivalents at 30 September	<u>17,506</u>	<u>57,034</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 RMB28,358,000 for the six months ended 30 September 2023 (for the six months ended 30 September 2022: RMB89,561,000) and as at 30 September 2023 the Group had net current assets of approximately RMB911,910,000 (As at 31 March 2023: approximately RMB1,026,295,000).

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 2023, 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.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance Contracts</i>
Amendments to s to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax Related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</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 2023

	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>459,488</u>	<u>2,707,034</u>	<u>2,325</u>	<u>3,168,847</u>	<u>19,716</u>	<u>3,188,563</u>
Segment results	<u>168</u>	<u>13,886</u>	<u>(187)</u>	<u>13,867</u>	<u>86</u>	<u>13,953</u>
Interest income						666
Other gains and losses						34,880
Share of results of associates						18,049
Finance costs						(42,275)
Unallocated corporate expenses						<u>(3,861)</u>
Profit before tax						<u>21,412</u>

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>

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 RMB506,336,000 (for the six months ended 30 September 2022: 1,275,255,000) comprising (i) revenue from oil and gas sales contracts of RMB24,807,000 (for the six months ended 30 September 2022: RMB41,080,000) and (ii) other revenue from contracts with customers of RMB481,529,000 (for the six months ended 30 September 2022: RMB1,234,175,000). 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	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Wholesale of LNG	459,488	859,314
Trading of oil and gas contracts	24,807	41,080
Sales of piped gas	–	352,015
Construction of gas pipeline infrastructure	2,325	9,775
Sales of vehicle gas at refuelling stations	14,384	5,111
LNG transportation	5,329	6,154
Sales commission	3	1,806
	<u>506,336</u>	<u>1,275,255</u>

4. OTHER INCOME

	Six months ended 30 September	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Banks interest income	666	857
Others	240	629
	<u>906</u>	<u>1,486</u>

5. OTHER GAINS AND LOSSES

Six months ended 30 September

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net foreign exchange gains	<u>34,880</u>	<u>69,847</u>

6. PROFIT BEFORE TAX

Six months ended 30 September

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	–	198
Depreciation of right-of-use assets	1,354	1,319
Cost of inventories recognised as an expense	441,035	778,515
Depreciation of property, plant and equipment	23,747	29,878
Directors' emoluments	1,510	1,540
Salaries and other benefits	14,022	14,251
Retirement benefits contributions	3,538	3,392
Total staff costs (excluding directors' emoluments)	<u>17,560</u>	<u>17,643</u>

7. INCOME TAX CREDITS (EXPENSE)

Six months ended 30 September

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
The credit (charge) comprises:		
Current taxation		
PRC Enterprise Income Tax (“EIT”)	(82)	(11,031)
Over-provision in prior periods	5,532	–
	<u>5,450</u>	<u>(11,031)</u>
Deferred taxation		
Current period	(431)	(276)
	<u>5,019</u>	<u>(11,307)</u>

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%.

Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated profits. No provision of Hong Kong Profits Tax has been made as the Group has no assessable profit generated in Hong Kong for the period ending 30 September 2023 and 2022.

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% (2022: 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% (2022: 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, entities that qualified as small and low profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income range from RMB1,000,000 to RMB3,000,000) from 1 January 2022 to 31 December 2024.

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 2023 is based on the profit attributable to owners of the Company of approximately RMB28,358,000 (for the six months ended 30 September 2022: approximately RMB89,561,000) and the weighted average number of 6,545,621,131 (as at 30 September 2022: 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 2023 and 2022.

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2023 <i>RMB'000</i> (Unaudited)	As at 31 March 2023 <i>RMB'000</i> (Audited)
Trade receivables	1,358,419	1,412,692
Less: Allowance for credit losses	<u>(10,490)</u>	<u>(12,786)</u>
	1,347,929	1,399,906
Other receivables	6,370	4,843
Prepayments	<u>1,408,686</u>	<u>1,358,953</u>
	<u>2,762,985</u>	<u>2,763,702</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. 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 2023 <i>RMB'000</i> (Unaudited)	As at 31 March 2023 <i>RMB'000</i> (Audited)
Within 30 days	130,638	112,395
31–90 days	286,822	354,933
91–180 days	34,997	198,580
181–365 days	443,805	595,219
Over 365 days	<u>451,667</u>	<u>138,779</u>
	<u>1,347,929</u>	<u>1,399,906</u>

11. TRADE PAYABLES AND OTHER LIABILITIES

	As at 30 September 2023 <i>RMB'000</i> (Unaudited)	As at 31 March 2023 <i>RMB'000</i> (Audited)
Trade payables	407,350	544,799
Other payables	24,259	78,133
Other tax payables	29,010	36,606
Payroll payables	2,079	1,089
Receipt from exercise of put option	2,500	2,500
Consideration payable	–	600
Receipts in advance	119,970	195,659
	<u>585,168</u>	<u>859,386</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 2023 <i>RMB'000</i> (Unaudited)	As at 31 March 2023 <i>RMB'000</i> (Audited)
Within 90 days	152,295	80,766
91–180 days	227,967	22,881
181–365 days	17,026	439,096
Over 1 years	10,062	2,056
	<u>407,350</u>	<u>544,799</u>

12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately RMB2,100,000 (for the six months ended 30 September 2022: approximately RMB13,700,000) 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 RMB262 million (for the six months ended 30 September 2022: approximately RMB843 million). The loans carry interest at fixed/variable market rates of 3.70%–10%. During the current interim period, the Group repaid bank and other loans amounting to approximately RMB302 million (for the six months ended 30 September 2022: approximately RMB830 million).

14. SHARE CAPITAL

	Number of shares <i>'000</i>	Share capital <i>'000</i>
Shares of HK\$0.10 each		
Authorised:		
As at 1 April 2022 (audited), 31 March 2023 (audited) and 30 September 2023 (unaudited)	<u>10,000,000</u>	<u>HK\$1,000,000</u>
Ordinary shares, issued and fully paid:		
As at 1 April 2022 (audited), 31 March 2023 (audited) and 30 September 2023 (unaudited)	<u>6,545,621</u>	<u>RMB551,378</u>

15. RELATED PARTIES TRANSACTIONS

	Six months ended 30 September	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Purchase LNG from an associate	<u>–</u>	<u>235,067</u>

DIVIDEND

The Board of Directors have resolved not to declare an interim dividend for the six months ended 30 September 2023 (for the six months ended 30 September 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Group results

During the period from 1 April 2023 to 30 September 2023 (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 RMB3,189 million (six months ended 30 September 2022: approximately RMB3,382 million) with profit after tax of approximately RMB26 million (six months ended 30 September 2022: approximately RMB102 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 224,000,000 cubic meters of LNG, representing a decrease of approximately 1,000,000 cubic meters or 0.44% compared with the same period of last year. The turnover from the sales of LNG business for the Period was approximately RMB459 million, representing a decrease of approximately RMB400 million or 46.5% compared with the same period of last year, contributing approximately 14.4% of the total turnover of the Group. Meanwhile, gross profit decreased significantly by approximately RMB62 million to approximately RMB19 million (six months ended 30 September 2022: approximately RMB81 million), with gross profit margin decreased from approximately 9.4% to approximately 4%.

Faced with the stiff competition in domestic gas market, the average selling prices of LNG decreased significantly. 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 significant declined.

Sales of piped gas

During the Period, no revenue (six months ended 30 September 2022: approximately RMB352 million) was arose from the sales of piped gas as a result of expiry of the gas operation permit since August 2022, 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.

Oil and gas transactions

During the Period, revenue arising from oil and gas transactions increased to approximately RMB2,707 million from approximately RMB2,148 million, contributing approximately 84.9% of the total turnover of the Group, representing an increase of approximately RMB559 million or 26.0% from the six months ended 30 September 2022. Gross profit, however, decreased to approximately RMB25 million from approximately RMB43 million, with gross profit margin decreased from approximately 2% to approximately 0.93%.

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

Reference is made to the announcement of the Company dated 28 June 2023 in relation to the suspension of business operation of a non-wholly owned subsidiary in the sales of piped gas business segment, there is no material progress since the last announcement. The Company will continue to closely monitor the issue and will consider all available options and the preferable choice is to have the issue resolved. 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, despite the instability and volatile market environment, the Board would like to highlight that other business operations of the Group remain as usual.

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 Period was approximately RMB3,189 million (six months ended 30 September 2022: approximately RMB3,382 million). The decrease in turnover was mainly attributable to the decrease in the production and sales of LNG which recorded a turnover of approximately RMB459 million during the Period (six months ended 30 September 2022: approximately RMB859 million).

Gross Profit

Gross profit for the Period was approximately RMB46 million (six months ended 30 September 2022: approximately RMB124 million). The decrease in gross profit was primarily due to the slight but sustained market wide decrease in the selling price of natural gas products during the Period. The Group's gross profit margin for the Period decreased from approximately 3.7% (six months ended 30 September 2022) to approximately 1.4%.

Other Income

Other income for the Period was approximately RMB0.9 million (six months ended 30 September 2022: approximately RMB1.5 million).

Other Gains and Losses

For the six months ended 30 September 2023, net foreign exchange gains were approximately RMB35 million (six months ended 30 September 2022: approximately RMB70 million). The decrease in other gains was mainly due to the result of fluctuations in the exchange rates.

Administrative Expenses

The Group's administrative expenses for the Period amounted to approximately RMB33 million (six months ended 30 September 2022: approximately RMB36 million) representing a decrease of approximately 7.0% as compared to the last period. The decrease was mainly due to the operation suspension of a subsidiary in the sales of piped gas business during the Period.

Share of Results of Associates

During the Period, a gain of approximately RMB18 million (six months ended 30 September 2022: loss of approximately RMB6 million) in the share of results of associates of the Group was recorded. This is due to during the last interim period, there was 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, our associates had to bear the increased cost of piped gas supply prior to the approval from the government. However, the price adjustment was resolved during the Period and therefore, the share of results of associates turn loss to gain.

Finance Costs

The Group incurred finance costs of approximately RMB42 million during the Period (six months ended 30 September 2022: approximately RMB36 million), representing an increase of approximately 17.1%. The increase was mainly due to the increase in the average borrowings rate during the Period.

Income Tax Credits (Expenses)

During Period, income tax credit of the Group were approximately RMB5 million (six months ended 30 September 2022: expense of approximately RMB11 million). During the Period, there was income tax refund of approximately RMB6 million.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2023, the Group's maintained bank balances and cash of approximately RMB18 million (31 March 2023: approximately RMB72 million).

The net current assets of the Group as at 30 September 2023 were approximately RMB912 million (31 March 2023: approximately RMB1,026 million). The current ratio was approximately 1.46 (31 March 2023: approximately 1.47).

As at 30 September 2023, the Group had borrowings of approximately RMB1,080 million which are due within one year and guaranteed notes of approximately RMB173 million. The gearing ratio, which is debt-to-equity ratio, of the Group was approximately 0.83 compared to approximately 0.86 as at 31 March 2023.

Capital Expenditure on Property, Plant and Equipment

Capital expenditure for purchase of property, plant and equipment amounted to approximately RMB2 million (six months ended 30 September 2022: approximately RMB14 million) for the Period.

Pledge of Assets

As at 30 September 2023, the Group pledged assets in aggregate amount of approximately RMB341 million (31 March 2023: approximately RMB600 million) to banks for banking facilities.

Capital Commitments

As at 30 September 2023, the Group had no material capital commitments.

Contingent Liabilities

As at 30 September 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 30 September 2023, the Group had about 320 employees (31 March 2023: about 330). 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.

EVENTS AFTER THE REPORTING PERIOD

The Company is not aware of any material subsequent events after 30 September 2023 and up to the date of this announcement.

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 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 the executive Director of the Company, was unable to attend the 2023 annual general meeting of the Company held on 26 September 2023 (the “**2023 AGM**”) in person because he was unfit for travel for medical reasons, but attended via telephone. However, Mr. Bao Jun, the executive Director, had taken the chair of the 2023 AGM in accordance with the bye-laws of the Company. Mr. Bao was of sufficient calibre and knowledge for communication with the shareholders at the 2023 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the Company's code for Directors' securities transaction.

Following specific enquiries by the Company, all the Directors have confirmed in writing their compliance with the required standards set out in the Model Code throughout the Period.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 September 2023 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 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, Mr. Tom Xie and Mr. Wong Siu Hung Patrick.