THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ngai Lik Industrial Holdings Limited, you should at once hand this circular, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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NGAI LIK INDUSTRIAL HOLDINGS LIMITED
(毅力工業集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

(I) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF UNION HONOR LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES; (II) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR; AND (III) PROPOSED CHANGE OF COMPANY NAME

Financial adviser to the Company

SOMERLEY CAPITAL LIMITED

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Investec

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 30 to 31 of this circular. A letter from the Independent Financial Adviser, Investec Capital Asia Limited, containing its advice to the Independent Board Committee is set out on pages 32 to 54 of this circular.

A notice convening the SGM of Ngai Lik Industrial Holdings Limited to be held on 8 May 2014 at 9:45 a.m. at Hong Kong General Chamber of Commerce, 22/F., United Centre, 95 Queensway, Hong Kong, Hong Kong is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the HKExnews website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.ngailik.hk.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy to the share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time fixed for holding the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

* *For identification purposes only*

15 April 2014

CONTENTS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Accounts"	audited consolidated financial statements of UHL Group for the year ended 31 December 2013
"Acquisition"	the proposed acquisition of the Sale Shares pursuant to the UHL SPA
"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"Announcement"	the announcement of the Company dated 28 October 2013 in relation to, among other things, the Acquisition
"Appointment of Executive Director"	the proposed appointment of Mr. Bao as the executive Director with effect upon Completion
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Auditors"	the auditors of UHL
"Board"	the board of Directors
"Business Day(s)"	any day(s) (excluding a Saturday, Sunday or public holidays) on which banks are generally open for business in Hong Kong
"BVI"	the British Virgin Islands
"Champion Ever"	Champion Ever Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Wang
"Change of Name"	the proposal for the Company to change its English name from "Ngai Lik Industrial Holdings Limited" to "Yuan Heng Gas Holdings Limited" and adopt "元亨燃氣控股有限公司" as its new Chinese name to replace "毅力工業集團有限公司"
"Company"	Ngai Lik Industrial Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange
"Completion"	completion of the transactions contemplated under the UHL SPA
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration of HK$3,068,246,340 for the Sale Shares under the UHL SPA

"Consideration Share(s)"	new Shares to be issued and credited as fully paid at Completion to the Vendor's Shareholders by the Company to satisfy part of the Consideration
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group and UHL Group
"Frontier Global"	Frontier Global Group Limited, a company incorporated in the BVI with limited liability, which is wholly owned by Touch Billion Limited, which in turn is held as to 25% by Galaxy King Limited which is wholly owned by Mr. Zhou Jiawei and as to 75% by Champion Golden Limited, in which Mr. Wang has 50% of the voting right; Mr. Pan Junfeng, an executive Director has 25% of the voting right; and Mr. Gao Xiong has 25% of the voting right
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent board committee of the Company whose members comprise all the independent non-executive Directors to advise the Independent Shareholders on the terms of the UHL SPA and the transaction contemplated thereunder
"Independent Financial Adviser/Investec"	Investec Capital Asia Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
"Independent Shareholders"	Shareholders other than Frontier Global, Mr. Wang and his associates and those who have a material interest in the Acquisition other than in the capacity as Shareholders only
"Last Trading Day"	24 October 2013, being the last full trading day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the release of the Announcement
"Latest Practicable Date"	11 April 2014, being the last practicable date for ascertaining certain information included in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"LNG"	liquefied natural gas
"Long Stop Date"	30 September 2014 or such other date as the Purchaser and the Vendor may agree in writing
"Mr. Bao"	Mr. Bao Jun
"Mr. Wang"	Mr. Wang Jianqing, the ultimate beneficial owner of Champion Ever, an executive Director, the chief executive officer and chairman of the Company and the controlling Shareholder
"PRC"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
"PRC Legal Adviser"	Guangda Law Firm, a legal adviser of UHL Group as to PRC laws
"Purchaser"	Firmwill Investment Limited, a company incorporated in the BVI with limited liability and a wholly owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	59,529,840 shares of US$1.00 each in the share capital of UHL, the entire issued and fully paid-up share thereof
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened on 8 May 2014 for the purpose of considering and, if thought fit, approving (i) the UHL SPA and the transactions contemplated thereunder; (ii) the proposed Appointment of Executive Director; and (iii) the proposed Change of Name
"Share(s)"	ordinary share(s) in the Company of HK$0.10 each
"Shareholders"	holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement dated 17 March 2014 entered into amongst the Purchaser, the Vendor and the Vendor's Shareholders to amend and supplement the UHL SPA
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"UHL"	Union Honor Limited, a company incorporated in the BVI with limited liability
"UHL Group"	UHL, YL International and members of Yuanheng Gas Group
"UHL SPA"	the agreement to acquire the Sale Shares entered into amongst the Purchaser, the Vendor and the Vendor's Shareholders on 28 October 2013 (as amended and supplemented by the Supplemental Agreement)
"Unaudited 2013 Profit"	the unaudited consolidated net profit (after tax but excluding minority interests) of UHL Group for the year ended 31 December 2013 of approximately RMB134.2 million (equivalent to approximately HK$170.4 million as extracted from the unaudited consolidated management accounts of UHL Group for the year ended 31 December 2013, which was provided by the Vendor
"US"	United States of America
"US$"	United States dollars, the lawful currency of the US
"Vendor"	Ying Hui Limited, a company incorporated in the BVI with limited liability
"Vendor's Shareholders"	(i) Champion Ever; (ii) Forever Honor Holdings Limited, a company incorporated in the BVI with limited liability; (iii) Michael Feng Group Limited, a company incorporated in the BVI with limited liability; (iv) Hong Kong World Asia Investment Limited, a company incorporated in Samoa with limited liability; (v) Ultimate Gains Limited, a company incorporated in Republic of Seychelles with limited liability; (vi) Celestial Speed Limited, a company incorporated in Samoa with limited liability; (vii) Profit Rise Holdings Limited, a company incorporated in Samoa with limited liability; (viii) Weyoung Technology Co., Limited, a company incorporated in Hong Kong with limited liability;

(ix) Merifund Growth Capital, a company incorporated in Cayman Islands with limited liability;

(x) Excel Glory Investment Limited, a company incorporated in Hong Kong with limited liability;

(xi) Jin Pei Investments Limited, a company incorporated in the BVI with limited liability;

(xii) Ever Express Group Holdings Limited, a company incorporated in the BVI with limited liability;

(xiii) August World Limited, a company incorporated in Samoa with limited liability;

(xiv) Billion Central Limited, a company incorporated in Samoa with limited liability;

(xv) Kingyield Limited, a company incorporated in Samoa with limited liability;

(xvi) Advance Yield Limited, a company incorporated in Samoa with limited liability;

(xvii) Trophy City Limited, a company incorporated in the BVI with limited liability; and

(xviii) Sure August Limited, a company incorporated in the BVI with limited liability

"YL International"	Ying Luen International Investment Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of UHL
"Yuanheng Gas"	廣州元亨燃氣有限公司 (Guangzhou Yuanheng Gas Co., Limited, formerly known as Circle Gas Corporation Limited*), a wholly-owned foreign enterprise established under the laws of the PRC and a direct wholly-owned subsidiary of YL International
"Yuanheng Gas Group"	Yuanheng Gas and its subsidiaries
"bcm"	billion cubic metre(s)
"CAGR"	compound annual growth rate
"GDP"	gross domestic product

* *For identification purposes only*

"Hg"	mercury, a chemical element
"kg"	kilogram(s)
"kWh"	kilowatt hour(s)
"m^3"	cubic metre(s)
"Nm^3"	normal cubic metre(s)
"tonne(s)"	metric ton
"%"	per cent

For the purpose of this circular, unless the context otherwise requires, conversion of RMB into HK$ is based on the approximate exchange rate of RMB0.7874 to HK$1 and conversion of US$ into HK$ is based on the approximate exchange rate of US$1 to HK$7.78. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in HK$, RMB or US$ have been, could have been or may be converted at such or any other rates or at all.

Any discrepancies in any table between totals and sums of amounts listed herein are due to rounding.

NGAI LIK INDUSTRIAL HOLDINGS LIMITED
(毅力工業集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

Board of Directors:

Executive Directors
Mr. Wang Jianqing
(Chairman and Chief Executive Officer)
Mr. Pan Junfeng

Independent Non-Executive Directors
Dr. Leung Hoi Ming
Mr. Wong Chi Keung
Mr. Tom Xie

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business:
Room 4102, 41/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

15 April 2014

To the Shareholders,

Dear Sir or Madam,

(I) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF UNION HONOR LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES; (II) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR; AND (III) PROPOSED CHANGE OF COMPANY NAME

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Acquisition and the Company's announcement dated 17 March 2014 relating to, among other things, the Supplemental Agreement, the Appointment of Executive Director and the Change of Name.

On 28 October 2013 (after trading hours), the Purchaser, the Vendor and the Vendor's Shareholders entered into the UHL SPA (as amended by the Supplemental Agreement dated 17 March 2014), pursuant to which the Purchaser conditionally agreed to acquire and

* *For identification purposes only*

the Vendor conditionally agreed to dispose of the Sale Shares, representing the entire issued share capital of UHL. On 17 March 2014, in order to facilitate the completion of the Acquisition and taking into consideration, among others, the Unaudited 2013 Profit, the latest status of the preparation of the Accounts and the expiring Long Stop Date, the Purchaser, the Vendor and the Vendor's Shareholders have, after further negotiations, entered into the Supplemental Agreement, to vary and simplify the terms of the Acquisition and to extend the Long Stop Date.

The purposes of this circular are to provide the Shareholders further details of, among other things, (i) further information on UHL Group, the UHL SPA and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Consideration Shares), the proposed Appointment of Executive Director and the proposed Change of Name; (ii) the recommendation from the Independent Board Committee relating to the Acquisition; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the UHL SPA and the transactions contemplated thereunder; (iv) the financial information of UHL Group and Yuanheng Gas Group; (v) the valuation report of the property interests of UHL Group; (vi) the unaudited pro forma financial information of the Enlarged Group upon Completion; and (vii) notice of the SGM.

THE UHL SPA

Date

28 October 2013 (after trading hours), as amended and supplemented by the Supplemental Agreement dated 17 March 2014

Parties

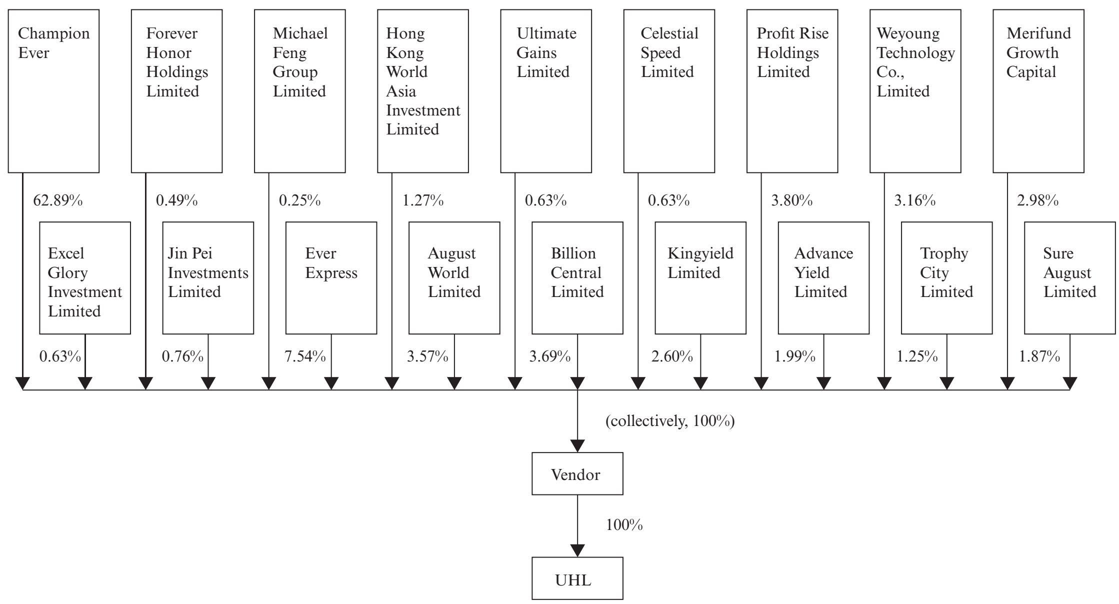
1. Firmwill Investment Limited, a wholly owned subsidiary of the Company, as the Purchaser;

2. Ying Hui Limited as the Vendor; and

3. Vendor's Shareholders

The Vendor is an investment holding company. As at the Latest Practicable Date, the Vendor is owned as to approximately 62.89% by Champion Ever, as to approximately 0.49% by Forever Honor Holdings Limited, as to approximately 0.25% by Michael Feng Group Limited, as to approximately 1.27% by Hong Kong World Asia Investment Limited, as to approximately 0.63% by Ultimate Gains Limited, as to approximately 0.63% by Celestial Speed Limited, as to approximately 3.80% by Profit Rise Holdings Limited, as to approximately 3.16% by Weyoung Technology Co., Limited, as to approximately 2.98% by Merifund Growth Capital, as to approximately 0.63% by Excel Glory Investment Limited, as to approximately 0.76% by Jin Pei Investments Limited, as to approximately 7.54% by Ever Express Group Holdings Limited ("**Ever Express**"), as to approximately 3.57% by August World Limited, as to approximately 3.69% by Billion Central Limited, as to approximately 2.60% by Kingyield Limited, as to approximately 1.99% by Advance Yield Limited, as to approximately 1.25% by Trophy City Limited and as to approximately 1.87% by Sure August Limited.

Set out below is the shareholding structure of the Vendor as at the Latest Practicable Date:



Note: The above percentage are subject to rounding error.

Champion Ever is an investment holding company which is wholly owned by Mr. Wang who is an executive Director, the chairman and chief executive officer of the Company and the controlling Shareholder beneficially interested in, through Frontier Global, an aggregate of 636,540,351 Shares, representing approximately 62.43% of the total issued share capital of the Company as at the Latest Practicable Date. Champion Ever is therefore a connected person of the Company pursuant to the Listing Rules.

Ever Express is owned as to 16% by Mr. Bao and as to 16% by Mr. Wang Jianshan, both of them are cousins of Mr. Wang. Although Ever Express is not a connected person of the Company pursuant to the Listing Rules, Mr. Bao and Mr. Wang Jianshan are associates of Mr. Wang and therefore connected persons of the Company pursuant to Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Michael Feng Group Limited, Forever Honor Holdings Limited, Hong Kong World Asia Investment Limited, Ultimate Gains Limited, Celestial Speed Limited, Profit Rise Holdings Limited, Weyoung Technology Co., Limited, Merifund Growth Capital, Excel Glory Investment Limited, Jin Pei Investments Limited, Ever Express, August World Limited, Billion Central Limited, Kingyield Limited, Advance Yield Limited, Trophy City Limited and Sure August Limited is principally engaged in investment holding. Save and except for (i) Champion Ever; and (ii) Mr. Bao and Mr. Wang Jianshan who are the ultimate beneficial owners in aggregate of 32% of equity interest in Ever Express (as disclosed above), each of the Vendor's Shareholders and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons in accordance with the Listing Rules and are third parties independent of each other as at the Latest Practicable Date.

Subject

The Sale Shares, representing the entire issued share capital of UHL.

Consideration

Pursuant to the terms of the UHL SPA, the Consideration of HK$3,068,246,340 (subject to adjustment as described below) shall be settled in the following manners upon the date of Completion:

1. as to HK$70,000,000 to be deemed as paid in cash by the Deposit (as defined below) (the "**Cash Portion**"); and

2. as to HK$2,998,246,340 to be satisfied by procuring the Company to issue and allot to the Vendor's Shareholders (and/or their respective nominee(s)) a total of 4,283,209,057 Consideration Shares, (credited as fully paid) in accordance with their respective shareholding in the Vendor (as for Champion Ever, its proportionate interest in the Consideration Shares shall be deducted accordingly by the Cash Portion of HK$70,000,000) at an issue price of HK$0.70 per Consideration Share (the "**Consideration Share Portion**").

Pursuant to the terms of the UHL SPA, a refundable deposit (the "**Deposit**") of HK$70,000,000 has been paid by the Purchaser to the Vendor within 10 Business Days upon the signing of the UHL SPA. The Deposit shall bear no interest. The Deposit will be applied as part of the Consideration upon Completion. If any of the conditions precedent of the UHL SPA has not been satisfied (or as the case may be, waived by the Purchaser) on or before the Long Stop Date, the Vendor shall return the Deposit in cash to the Purchaser within 10 Business Days from the Long Stop Date. In the event the UHL SPA is terminated, the Vendor shall return the Deposit in cash to the Purchaser within 10 Business Days from the date of termination of the UHL SPA.

In accordance with the UHL SPA, the Purchaser and the Vendor agreed that the Consideration is subject to adjustment if the audited consolidated net profit (after tax but excluding minority interest) of UHL Group for the year ended 31 December 2013 (the "**Audited 2013 Profit**") extracted from the Accounts times the price-to-earnings ratio ("**P/E**") of UHL Group of 18 times (the "**Actual Value**") is lesser than the Consideration of HK$3,068,246,340 by over 5%. In such event, the Purchaser and the Company shall have the right to offset the divergence between the Actual Value and the Consideration (the "**Divergence**") on a dollar for dollar basis against the Consideration Shares Portion and adjust the number of the Consideration Shares to be allotted and issued to each of the Vendor's Shareholders (and/or their respective nominee(s)) pro-rata to their respective shareholding in the Vendor. For the avoidance of doubt, there should not be any adjustment to the Consideration if (i) the Actual Value is more than the Consideration; or (ii) the Divergence is less than or equal to 5% of the Consideration (equivalent to approximately HK$153,412,317). According to the financial information of UHL Group as set out in the Appendix IIA to this circular, the Audited 2013 Profit was approximately RMB134.2 million (equivalent to approximately HK$170.4 million) for the year ended 31 December 2013. In such circumstances, no adjustment to the Consideration is expected to be made pursuant to the terms of the UHL SPA.

Basis for the Consideration

The Consideration was arrived at after arm's length negotiations among the Company, the Purchaser, the Vendor and the Vendor's Shareholders with reference to, including but not limited to, (i) the business prospects of UHL Group; (ii) the Unaudited 2013 Profit of approximately RMB134.2 million (equivalent to approximately HK$170.4 million); (iii) the P/E of approximately 18 times of UHL Group, which is within the range of the P/E of the companies listed in Hong Kong whose principal activities include, among others, distribution, sales, trading and transportation of natural gas, which are similar to that of UHL Group; and (iv) the benefits of the Acquisition as detailed in the paragraph headed "Reasons for and benefits of the Acquisition" below.

The Board takes note that the Consideration of HK$3,068,246,340 is equal to the Unaudited 2013 Profit of approximately RMB134.2 million (equivalent to approximately HK$170.4 million) times the P/E of approximately 18 times of UHL Group. For the purpose of assessing the fairness and reasonableness of UHL Group's P/E of approximately 18 times, the Company, on the best effort basis, identified for its assessment the companies listed on the Main Board of the Stock Exchange (the "**Peer Companies**") which, as at the date of the UHL SPA, (i) are principally engaged in distribution, sales, trading and transportation of natural gas and/or LNG in latest financial year as set out in their respective published annual report; (ii) at least 80% of their respective revenue was generated from distribution, sales, trading and transportation of natural gas and/or LNG for the latest financial year; and (iii) at least 80% of their respective revenue was generated from business operation located in the PRC for the latest financial year. The Board considered that the principal business activities and business location of the Peer Companies are similar and comparable to that of UHL Group. The table below sets out the details of the Peer Companies and their respective P/E as at the date of UHL SPA:

Company Name	**Closing price** *(Note 1)* *HK$*	**Market capitalisation** *(Note 1)* *HK$ million*	**P/E** *(Note 2)*	**Gross profit margin** *(Note 3)* *%*	**Net profit margin** *(Note 4)* *%*	**Principal business** *(Note 5)*
China Oil and Gas Group Limited (stock code: 603)	1.13	5,650.8	15.5	22.6	14.6	Investments in natural gas and energy related businesses
China Resources Gas Group Limited (stock code: 1193)	19.52	43,412.7	26.3	34.2	12.7	Sale and distribution of gas fuel and related products; gas connection
China Tian Lun Gas Holdings Limited (stock code: 1600)	6.92	5,729.2	33.4	36.5	20.4	Investment, operation and management of gas pipeline connections, transportation, distribution and sales of gas, construction and operation of gas filling stations, and production and sales of LNG
ENN Energy Holdings Limited (stock code: 2688)	44.90	48,620.4	25.8	23.8	7.8	Investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped and bottled gas in the PRC
Kunlun Energy Company Limited (stock code: 135)	11.34	91,428.6	14.0	n/a	24.2	Exploration & production of crude oil & natural gas in the PRC, the Republic of Kazakhstan, the Sultanate of Oman, Peru, the Kingdom of Thailand, the Azerbaijan Republic the Republic of Indonesia, sales & transmission of nature gas in PRC
Towngas China Company Limited (stock code: 1083)	7.67	20,040.6	23.8	13.8	18.3	Sales and distribution of piped gas, including provision of piped gas, construction of gas pipelines, operation of city gas pipeline network, the operation of gas fuel automobile refilling stations, and the sale of gas household appliances
Tianjin Jinran Public Utilities Company Limited (stock code: 1265)	2.13	3,917.7	26.2	6.9	5.4	Operation and management of gas pipeline infrastructure and the sale and distribution of piped gas
		Max	33.4	36.5	24.2	
		Min	14.0	6.9	5.4	
		Average	23.6	23.0	14.8	
UHL Group		3,068.2 *(Note 6)*	18.0 *(Note 7)*	20.4	9.6	

Notes

1. the closing share price and market capitalisation of the Peer Companies as at the date of UHL SPA are sourced from the website of the Stock Exchange. The market capitalisation of the Peer Companies is calculated based on their respectively closing share price and number of issued shares as at the date of UHL SPA.

2. P/E of the Peer Companies is calculated as their respective market capitalisation as at the date of UHL SPA divided by their respective latest available audited annual net profits attributable to the owners of the company as at the date of UHL SPA.

3. Gross profit margin of the Peer Companies and UHL Group is calculated as their respective latest available audited gross profit divided by their respective latest available audited total revenue as at the date of UHL SPA.

4. Net profit margin of the Peer Companies and UHL Group is calculated as their respective latest available audited net profit for the year divided by their respective latest available audited total revenue as at the date of UHL SPA.

5. the principal business of the Peer Companies are extracted based on their respective latest published annual report.

6. being the Consideration of HK$3,068,246,340.

7. P/E of UHL Group is calculated as the Consideration divided by the Unaudited 2013 Profit.

As shown in the above table, the P/E of the Peer Companies ranged from approximately 14.0 times to 33.4 times, with an average of approximately 23.6 times. The P/E of UHL Group of 18.0 times is within the range and below the average of P/E of the Peer Companies, and therefore is considered favourable as compared with the Peer Companies.

The gross profit margin of the Peer Companies ranged from approximately 6.9% to 36.5%, with an average of approximately 23.0%. The gross profit margin of UHL Group of approximately 20.4% is below the average but within the range of gross profit margin of the Peer Companies. The net profit margin of the Peer Companies ranged from approximately 5.4% to 24.2%, with an average of approximately 14.8%. The net profit margin of UHL Group of approximately 9.6% is lower than the average net profit margin but within the range of net profit margin of the Peer Companies. However, as the operation scale of the Peer Companies is larger than that of UHL Group, the Directors are of the view that the Peer Companies enjoyed more cost benefits due to the economies of scale and therefore, could yield, on average, a higher gross profit margin and/or net profit margin than UHL Group.

The Board has considered alternative approaches in determining the basis for arriving at the Consideration such as a business valuation of UHL Group based on future earnings and/or cash flow projection, however, the projection of future earnings and/or cash flow of UHL Group or the business assumptions involved could be subject to even greater uncertainties and subjectivity. After taking into account all the factors discussed above, the Directors are of the view that the Consideration arrived at based on P/E is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors are aware of the considerable premium when comparing the Consideration of HK$3,068,246,340 with the historical investment costs of UHL paid by the Vendor and Champion Ever of approximately HK$463,142,147. However, as detailed under the section headed "History and development of UHL Group" of this circular, the historical investment costs incurred by Champion Ever was a result of security crystallisation, thus, could represent or involve elements of, value of UHL Group being assessed based on breakup basis, as opposed to a going concern basis. Accordingly, the Company considers that the historical investment costs incurred by Champion Ever should not be a fair or appropriate reference for assessing the fair value of UHL Group as at current date.

In respect of the MI Transfer (as defined and described in details under the section headed "History and development of UHL Group" of this circular), the Board is of the view that the difference between the MI Consideration (as defined under the section headed "History and development of UHL Group" of this circular) and the Consideration was mainly due to the fact that they were agreed at a different point of time with reference to the earnings of UHL Group/Yuanheng Gas Group for different time periods and therefore, the MI Consideration is not an appropriate basis for the Company to assess the prevailing market value of UHL Group.

The historical investments costs incurred by the Vendor (through YL International) in Yuanheng Gas Group was agreed between the then owners of the Vendor and Yuanheng Gas, where basis for arriving at such consideration is not available to the Company. However, the Company considers that the then conditions of Yuauheng Gas Group (which had a smaller operating scale without the operations of the LNG satellite stations and the LNG fueling station) was substantially different from the current condition of UHL Group. Therefore, the Directors are of the view that the historical investment costs incurred by the Vendor (through YL International) in Yuanheng Gas Group should not be a fair or appropriate reference for assessing the fair value of UHL Group as at current date.

Having considered the above, in arriving at the Consideration, the Company, the Purchaser, the Vendor and the Vendor's Shareholders have, after arm's length negotiations, made reference to, including but not limited to, the Unaudited 2013 Profit of approximately RMB134.2 million (equivalent to approximately HK$170.4 million) and UHL Group's P/E of approximately 18 times. Since the P/E analysis is commonly used and considered an appropriate method for valuing various profit making businesses (including the LNG business), the Directors consider the adoption of P/E analysis for assessing the value of UHL Group fair and reasonable. Also, as discussed above, the P/E of the Peer Companies ranged from approximately 14.0 times to 33.4 times, with an average of approximately 23.6 times. The P/E of UHL Group of 18.0 times is within the range and below the average of P/E of the Peer Companies and therefore, is considered favourable as compared with the Peer Companies.

Conditions precedent

Pursuant to the UHL SPA, Completion shall be conditional upon satisfaction (or waiver, as applicable) of each of the following conditions precedent:

1) the Purchaser conducting a due diligence review of and being satisfied with the assets, liabilities, operation and business of UHL Group;

2) the passing by the Shareholders at the SGM of relevant resolution(s) to approve the UHL SPA and the transactions contemplated thereunder (in compliance with the Listing Rules, statutory documents and all applicable laws and regulations), including but not limited to:

    (a) the issue and allotment of the Consideration Shares (credited as fully paid) to each of the Vendor's Shareholders and/or its nominee(s); and

    (b) amendments to statutory documents of the Company and increase in the authorised share capital of the Company to facilitate the issue of the Consideration Shares (if necessary).

3) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares;

4) no indication having been received from the Stock Exchange that the transactions contemplated under the UHL SPA will be treated or, as the case may be, ruled by the Stock Exchange as a "reverse takeover" under Rule 14.06(6) of the Listing Rules, and/or the Company will be deemed as a new listing applicant under Rule 14.54 of the Listing Rules;

5) all necessary consent, approval, authorisation and permission from the relevant governmental or regulatory authorities which are necessary in connection with the UHL SPA and the transactions contemplated thereby having been obtained and/or procured to be obtained on or before the date of Completion;

6) no event or circumstance has occurred that would result in any material adverse impacts on the legal status or the continuation of the business of each of the members of UHL Group;

7) the obtaining of a PRC legal opinion (in form, substance and scope satisfactory to the Purchaser) by a PRC legal adviser covering matters including but not limited to the UHL SPA and the transactions contemplated thereunder and the business of UHL Group;

8) the warranties given by the Vendor and by the Vendor's Shareholders as set out in the UHL SPA remaining true and accurate in all respects on or as the date of Completion; and

9) UHL having issued the Accounts.

The Purchaser may at any time waive in whole or in part all or any of the conditions precedent (1) and (5) to (8) by notice in writing to the Vendor. If any of the conditions precedent has not been satisfied (or the case may be, waived by the Purchaser) at or before 12:00 noon on 30 September 2014 (or such other date as the Purchaser and the Vendor may agree in writing), being the Long Stop Date), the Vendor shall return the Cash Deposit in cash to the Purchaser within 10 Business Days from the Long Stop Date, and the UHL SPA shall cease and terminate (save and except for clauses relating confidentiality, notice and governing laws which shall continue to have full force and effect) and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

The Purchaser may consider exercising its discretion to waive in whole or in part all or any of the conditions precedent (1) and (5) to (8) which it may waive only in circumstances where the non-satisfaction of such conditions would not have any material adverse effect on the transactions contemplated under the UHL SPA. As at the Latest Practicable Date, the Purchaser and the Company have no intention to waive any of the above conditions. Condition precedent (9) has been fulfilled as at 15 April 2014.

It is advised by the PRC Legal Adviser that, no consent, approval, authorisation or permission from the governmental or regulatory authorities in the PRC is required in connection with the UHL SPA and the transactions contemplated thereby.

Completion

Completion shall take place at 5:00 p.m. on the fifth Business Day following the day on which all the conditions precedent of the UHL SPA are satisfied in full (or as the case may be, waived by the Purchaser).

Consideration Shares

A total of 4,283,209,057 Consideration Shares will be issued to the Vendor's Shareholders (and/or their respective nominee(s)) upon Completion as part of the Consideration.

The issue price of HK$0.70 per Consideration Share (the "**Issue Price**") represents:

(i) a discount of approximately 25.5% to the closing price of HK$0.94 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 46.15% to the closing price of HK$1.30 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 41.18% to the average of the closing prices of approximately HK$1.19 per Share for the 10 consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 34.58% to the average of the closing prices of approximately HK$1.07 per Share for the 30 consecutive trading days up to and including the Last Trading Day; and

(v) a premium of approximately HK$0.61 (or approximately 8 times) over the audited consolidated net assets value per Share of approximately HK$0.09 as at 31 March 2013 (based on the Company's latest published audited consolidated net assets value of approximately HK$88,836,000 at 31 March 2013 and 1,019,592,858 Shares in issue as at the Latest Practicable Date).

The 4,283,209,057 Consideration Shares represent approximately:

(a) 420.1% of the existing issued share capital of the Company; and

(b) 80.8% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

As disclosed in the Company's annual report for the year ended 31 March 2013, the audited consolidated net assets value per Share was approximately HK$0.09 (based on the Company's latest published audited consolidated net assets value of approximately HK$88,836,000 at 31 March 2013 and 1,019,592,858 Shares in issue as at the Latest Practicable Date). The Company also recorded net loss of HK0.29 cents per Share for the year ended 31 March 2013. Excluding the one-off gain of approximately HK$152.8 million as a result of the deconsolidation of a subsidiary upon its voluntary winding-up in 2011, the Group was making net loss for the financial year ended 31 March 2012. The Group had also recorded net loss for the three financial years ended 31 March 2011. Accordingly, it is considered that the current trading price of the Shares may not reflect the true value of the Shares as there is a lack of correlation between the current trading price of the Shares and the underlying business operations or financial performance of the Group, and therefore lesser weight should be placed on the trading price of the Shares when determining the Issue Price. As the Company was loss making for the latest financial year, the consolidated net assets value of the Company is therefore used as a reference in determining the Issue Price. On the basis that each of the Issue Price represents a significant premium over the audited consolidated net assets value per Share of approximately HK$0.09 as at 31 March 2013, the Directors are of the view that the Issue Price is fair and reasonable.

The Consideration Shares are to be issued and allotted by the Company under specific mandates. The Consideration Shares, when issued and allotted, will rank pari passu in all respects with all the Shares then in issue.

An application will be made to the Stock Exchange by the Company for the listing of, and permission to deal in, the Consideration Shares.

Information on UHL group

UHL is an investment holding company and was incorporated in the BVI with limited liability. UHL holds 100% equity interests in YL International which is in turn the registered owner of Yuanheng Gas. Yuanheng Gas Group is principally engaged in processing, distribution, sales, trading and transportation of LNG and other auxiliary business in the PRC. Further information on the history and development and the business of UHL Group are set out respectively in the sections headed "History and Development of UHL Group" and "Business of UHL Group" of this circular.

The total historical investment costs to UHL incurred by the Vendor and Champion Ever in December 2011 and December 2012 were US$59,529,839 (equivalent to approximately HK$463,142,147). The historical investments costs incurred by the Vendor and Champion Ever has supported the business and growth of Yuanheng Gas Group (since its earlier stage of development), including amongst others, the subsequent contributions which improved the financial positions of Yuanheng Gas Group/UHL Group and thus facilitated the establishment and expansion of the business of Yuanheng Gas Group into LNG satellite stations in Guizhou Province and LNG fueling station in Shandong Province (please refer to the section headed "History and development of UHL Group" of this circular for details), thereby established the distribution channel of Yuanheng Gas Group/ UHL Group with sales and distribution of LNG to the industrial users. Such developments have turned UHL Group into vertical integrated gas corporation, and greatly improved the operation scale and the business prospects of UHL Group. In addition, the introduction by the controlling shareholder of UHL of its business associates, financial investors and potential business partners in the LNG trading and distribution channels into UHL Group have also enhanced the development and expansion of its business platform and distribution networks.

Set out below is the audited consolidated financial information of UHL Group for the financial years ended 31 December 2012 and 31 December 2013 respectively as extracted from Appendix IIA of this circular:

	For the year ended 31 December 2012 *RMB' million (equivalent to HK$' million)*	**For the year ended 31 December 2013** *RMB' million (equivalent to HK$' million)*
Turnover	1,143.3	1,832.5
	(1,452.0)	2,327.3
Profit/(loss) before taxation	126.1	235.9
	(160.1)	(299.6)
Profit for the year attributable to		
— owners of UHL	60.2	134.2
	(76.5)	(170.4)
— minority interest	16.1	41.7
	(20.4)	(53.0)

As at 31 December 2013, the audited consolidated net assets value attributable to owners of UHL was approximately RMB570.7 million (equivalent to approximately HK$724.8 million).

UHL Group recorded profit attributable to its owners of approximately RMB134.2 million (equivalent to HK$170.4 million) for the year ended 31 December 2013, represented an increase of around 122.9% from approximately RMB60.2 million (equivalent to HK$76.5 million) for the year ended 31 December 2012. Such increase was mainly due to the steady increase in LNG production yield in the two liquefaction plants as well as the increase in sales from LNG distribution. As the two liquefaction plants have not reached the full production capacity in 2013, coupled with the anticipated continuous expansion of UHL Group's sales network through the LNG satellite stations and the LNG fueling station, the Director are optimistic towards the business development and future profitability of UHL Group.

Due diligence review on UHL Group

Legal advisers and professional accountants were engaged to carry out due diligence review on, among others, the legal structure and financial position of UHL Group. The Company has also reviewed the principal business agreements of UHL Group, including but not limited to the natural gas supply agreements entered into with the key gas suppliers and the sales agreements with major customers. In addition, the Company has conducted site visits to (i) the natural gas liquefaction plants in Sichuen Province and Inner Mongolia Autonomous Region; (ii) the LNG satellite stations in Guizhou Province; and (iii) the LNG fueling station in Shangdong Province. Set out below are the findings of the due diligence works:

1) UHL Group recorded net current liabilities as at 31 December 2011, 31 December 2012 and 31 December 2013. As provided by the management of UHL Group, UHL has continuously sought to improve its short-term liquidity by seeking long term bank facilities to finance and support its long term capital investment, while taking steps to settle the liabilities due to related parties and minority shareholders of its subsidiaries incurred mainly during its commencement period. The Board noted from the financial information of UHL Group set out in Appendix IIA of this circular that the aggregate amount due to related parties and minority shareholders of subsidiaries had decreased substantially from approximately RMB485.4 million as at 31 December 2011 to approximately RMB40.6 million as at 31 December 2013. Accordingly, the net current liabilities of UHL Group had reduced from approximately RMB898.4 million as at 31 December 2011 to approximately RMB406.9 million as at 31 December 2013. In addition, Yuanheng Gas has also successfully secured a revolving credit facility from a financial institutions in the PRC for up to RMB700 million for a term of 2 years till 19 May 2015. Yuanheng Gas intends to apply the proceeds of the revolving facility for (i) repayment of banking borrowings being fall due; (ii) construction of LNG storage facilities near Xi River; and (iii) working capital of UHL Group. Having considered the above, the Directors are positive towards the short-term liquidity position of UHL Group;

2) As disclosed in the paragraph headed "Business of UHL Group — Legal proceedings and compliances" in this circular, the members of UHL Group have been involved in arbitration and regulatory compliance issues. Also, it is stated in the section headed "Risk Factors" of this circular that certain title documents and permits in respect of certain lands occupied by UHL Group have not been obtained. In relation to the aforesaid, the Vendor has agreed to execute a deed of indemnity effective upon Completion in favour of the Purchaser and/or UHL Group to keep UHL Group indemnified against any loss of profit and business, penalties and fines and all losses and damages which may be suffered by UHL Group as a result of and in connection with the aforementioned arbitration, regulatory compliance issue and land/property title documents/permits issue. The Directors consider that the deed of indemnity to be executed by the Vendor is sufficient to safeguard the interest of the Company and the Enlarged Group following Completion; and

3) UHL Group recorded an amount due from a former equity owner of subsidiaries (who is a third party independent of the Company and its connected persons in accordance with the Listing Rules) of approximately RMB74.5 million as at 31 December 2013. As provided by the management of UHL Group, UHL Group has reached an agreement with that former equity owner pursuant to which approximately RMB47.0 million of the aforesaid debt will be settled by the assignment to that former equity owner part of the debts owed by UHL Group. According to the management of UHL Group, the remaining balance of the amount due from a former equity owners of subsidiaries is expected to be settled within 18 months. As at 31 December 2013, the amount due from related parties of approximately RMB84.4 million represents the amount due from 廣州元亨能源有限公司 (Guangzhou Circle Energy Company Limited*, "**Guangzhou Circle**"). As provided by the management of UHL Group, Guangzhou Circle has repaid about RMB49.2 million up to February 2014 and the outstanding balance is expected to be repaid by Guangzhou Gas by July 2014. In addition, UHL Group had the amount due from a non-controlling equity owner of subsidiaries (who is a third party independent of the Company and its connected persons in accordance with the Listing Rules) of RMB34.7 million as at 31 December 2013. Pursuant to the legal advice from the PRC Legal Adviser, such amount can be offset by the dividend to be declared and payable by the subsidiaries to such non-controlling equity owner. Having considered the above, the Directors are of the view that the aforesaid amounts could be settled in the near future and the credit risk of such amounts is manageable.

* *For identification purposes only*

Save and except for those disclosed above, the Directors are not aware of unsatisfactory findings from the review and thus consider that the Acquisition is in the interest of the Company and the Shareholders as a whole for reasons set out under the paragraph headed "Reasons for and benefits of the Acquisition" below.

Reasons for and benefits of the Acquisition

The Group is currently principally engaged in (i) the design and sales of electronic and electrical products ("**EMS**"); and (ii) trading of oil and gas products and the provision of the related consultancy services.

As mentioned in the Company's annual reports for the three financial years ended 31 March 2013, the Group scaled down its EMS operations since September 2011 due to the severe business environment for export manufacturing industry. With the cessation of the loss-making product lines and the downsized operations in the EMS business, the Group setup a new business division in April 2011 which is principally engaged in trading of oil and gas and provision of consultancy services. Since the financial year ended 31 March 2012, the oil and gas trading division took over the EMS division and became the major revenue contributor of the Group. The Group also first set its footage in trading of LNG in the financial year 2013 and started to record revenue from the LNG trading business for the same period. Going forward, the Group will continue to develop its oil and gas trading business platform by expanding its product range and covering wider trade areas in Asia Pacific region. The acquisition of UHL Group, which possesses well-established LNG processing, distribution, sales, trading, transportation and other ancillary operations and networks, is considered as complementary and a reinforcement to the Group's existing energy division. The Board believes that the Acquisition is in line with the development strategies of the Group, and can create long-term and strategic benefits to the Group, including but not limited to the following:

- expand and develop the Group's distribution and business network in, including but not limited to, the trading of oil and gas products by leveraging on the close relationships between Yuanheng Gas Group, its upstream suppliers and downstream customers in the energy industry;

- expand and integrate into upstream operations of natural gas processing, thereby entering into platform for distribution and selling of higher profit margin services/products, and broaden the Group's income base;

- expand and complete the Group's product/service offering chain, from upstream processing to downstream distribution and sales, thereby diversified and improve the Group's operation and financial flexibility;

- increase the Group's overall competitive edge through Yuanheng Gas Group's comprehensive product/service offering chain; and

- given the fast growing economic conditions of the PRC and the increasing awareness of the use of clean energy, the Acquisition will also enable the Company to seize the market opportunities, tap into the PRC energy market and create value for the Shareholders.

Upon Completion, UHL will become a wholly-owned subsidiary of the Group and the financial results and position of UHL Group will be consolidated into the Group's financial statements.

The Directors consider that the terms of the UHL SPA and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Consideration Shares) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The issue of the Consideration Shares will result in dilution to the interest of the Independent Shareholders. Having considered that (i) the benefits for the Acquisition as described above; and (ii) the Group is unable to settle the Consideration in cash without significantly increase its gearing in immediate future, the Directors are of the view that the dilutive impact to the interest of Independent Shareholders is acceptable and in the interests of the Company and the Shareholders as a whole.

Financial effects of the Acquisition

Upon Completion, UHL will become an indirect wholly-owned subsidiary of the Company, and the financial results and position of UHL Group will be consolidated into the consolidated financial statements of the Group.

In the preparation of the consolidated financial statements of the Enlarged Group following Completion, the Directors considered that the Company has a choice to adopt merger accounting in accordance with Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("**AG 5**") or purchase accounting in accordance with The Hong Kong Financial Reporting Standards ("**HKFRS**") 3 "Business Combinations" for the Acquisition as it was the first business combination made by the Company involving entities or businesses under common control since 2 November 2010.

The Directors determined that the preparation of the consolidated financial statements of the Enlarged Group with merger accounting element is more appropriate and relevant than that prepared under reverse acquisition accounting solely for the acquisition of UHL after considering the following factors:

Accounting treatment of reverse acquisition accounting for the acquisition of the UHL Group is more complex

Consolidated financial statements prepared following a reverse acquisition are issued under the name of the Company (accounting acquiree) but described in the notes as a continuation of the financial statements of UHL Group (accounting acquirer). There are a number of differences in the determination of the consideration transferred, goodwill, non-controlling interests in legal subsidiary, comparative information, earnings per share etc. by comparing the reverse acquisition accounting and the conventional acquisition i.e. a business combination where the accounting acquirer and legal acquirer are the same entity, which make the Shareholders and the financial statements users to find more difficult to understand the accounting treatment. For instance, under the reverse acquisition accounting, the goodwill is determined as the Consideration transferred less identified net assets of the legal parent i.e. the Company. The Consideration transferred is determined as the fair value of the notional number of equity instruments that the legal subsidiary i.e. UHL, would have to issue to the legal parent to give the owners of the legal parents the same percentage ownership in the combined entity. The basis for the determination of the fair value of the notional number of equity instruments involved significant management judgment which critically affects the amount of goodwill to be recognised by the Enlarged Group. Adoption of merger accounting for the Acquisition is considered to be more straight-forward to reflect the substance of the Acquisition, which involved an injection of a separate business operated by UHL Group to the Company, both are controlled by Mr. Wang, and may be easier to be understood by the financial statements' users.

Relevance of the financial information by using reverse acquisition accounting

Under reverse acquisition accounting, the legal acquiree will become the accounting acquirer, and its assets and liabilities will not be subject to recognition principle of HKFRS 3. Accordingly, no matter reverse acquisition accounting is solely adopted for the Acquisition or merger accounting is adopted for the Acquisition with reverse acquisition accounting of the acquisition of the Company by the controlling Shareholder, the fair value of the identifiable net assets of UHL Group at the date of the completion of the Acquisition would not be reflected in the consolidated financial statements of the Enlarged Group. As the historical financial information of UHL Group and Yuanheng Gas Group has been separately presented in this circular, the Directors consider that there is sufficient relevant information provided to Shareholders to make an informed decision on the Acquisition.

If the reverse acquisition accounting under HKFRS 3 is adopted solely on the Acquisition, the management expected that a significant amount of goodwill would be recognised at the date of Completion, as the amount of Consideration transferred.

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming that the Completion had taken place on 30 September 2013, the total assets would be increased by approximately RMB1,926.8 million (equivalent to approximately HK$2,447.0 million) to approximately RMB2,846.3 million (equivalent to approximately HK$3,614.8 million) as at 30 September 2013. The total liabilities would be increased by approximately RMB1,335.5 million (equivalent to approximately HK$1,696.1 million) to approximately RMB2,186.0 million (equivalent to approximately HK$2,776.2 million) as at 30 September 2013. The net assets would be increased by approximately RMB591.4 million (equivalent to HK$751.1 million) to net assets of approximately RMB660.3 million (equivalent to HK$838.6 million) as at 30 September 2013. The Group had an audited net loss of approximately RMB2.3 million (equivalent to approximately HK$2.9 million) for the year ended 31 March 2013. Based on the unaudited pro forma consolidated income statement of the Enlarged Group set out in

Appendix III to this circular, assuming that the Completion had taken place on 1 April 2012, the Enlarged Group would have net profit of approximately RMB170.8 million (equivalent to approximately HK$216.9 million) for the year ended 31 March 2013.

Shareholding structure of the Company

Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion and the issue and allotment of the Consideration Shares.

	As at the Latest Practicable Date		**Immediately upon Completion and the issue and allotment of the Consideration Shares**	
	Number of Shares	*Approx. %*	*Number of Shares*	*Approx. %*
Frontier Global [1]	636,504,351	62.43	636,504,351	12.01
Champion Ever	—	—	2,656,464,436[2]	50.10
Sub-total	636,504,351	62.43	3,292,968,787	62.11
Public Shareholders:				
Michael Feng Group Limited	—	—	11,092,508	0.21
Forever Honor Holdings Limited	—	—	21,555,323	0.41
Hongkong World Asia Investment Limited	—	—	55,462,540	1.05
Ultimate Gains Limited	—	—	27,731,270	0.52
Celestial Speed Limited	—	—	27,731,270	0.52
Profit Rise Holdings Limited	—	—	166,387,619	3.14
Weyoung Technology Co Limited	—	—	138,656,349	2.61
Merifund Growth Capital	—	—	130,408,303	2.46
Excel Glory Investment Limited	—	—	27,731,270	0.52
Jin Pei Investments Limited	—	—	33,277,524	0.63
Ever Express	—	—	330,450,571	6.23
August World Limited	—	—	156,601,653	2.95
Billion Central Limited	—	—	161,461,478	3.04
Kingyield Limited	—	—	114,027,539	2.15
Advance Yield Limited	—	—	87,258,519	1.65
Trophy City Limited	—	—	54,764,354	1.03
Sure August Limited	—	—	82,146,531	1.55
Other public Shareholders	383,088,507	37.57	383,088,507	7.22
Sub-total	383,088,507	37.57	2,009,833,128	37.89
Total	1,019,592,858	100.00	5,302,801,915	100.00

Notes:

1. Frontier Global is wholly owned by Touch Billion Limited, which in turn is held as to 25% by Galaxy King Limited which is wholly owned by Mr. Zhou Jiawei and as to 75% by Champion Golden Limited, in which Mr. Wang has 50% of the voting right; Mr. Pan Junfeng, an executive Director has 25% of the voting right; and Mr. Gao Xiong has 25% of the voting right.

2. As for Champion Ever, its proportionate interest in the Consideration Shares shall be deducted accordingly by the Cash Deposit of HK$70,000,000.

3. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor's Shareholders (other than (i) Champion Ever and (ii) Mr. Bao and Mr. Wang Jianshan, who are cousins of Mr. Wang and hold in aggregate 32% equity interests in Ever Express) and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons in accordance with the Listing Rules and are third parties independent to each other as at the Latest Practicable Date.

4. There will not be a change in control of the Company as a result of the Acquisition.

5. The above percentages are subject to rounding error.

PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR

Subject to approval by the Shareholders at the SGM, the Board proposes to appoint Mr. Bao as the executive Director with effect upon Completion. Set out below are brief biographical details of Mr. Bao:

Experience

Mr. Bao, aged 46, will be appointed as the executive Director and the general manager of Yuanheng Gas upon Completion. Mr. Bao currently acts as the business adviser assisting in the business operations and project management of 貴州華亨能源投資有限公司 (Guizhou Huaheng Energy Investments Co., Ltd*, "**Huaheng Energy**") and 菏澤綠潔燃氣有限責任公司 (Heze Lujie Gas Co., Ltd.*, "**Heze Lujie**"). He is also a director of each of Huaheng Energy, Heze Lujie, 貴州華元投資有限公司 (Guizhou Huayuan Investments Co., Ltd.*, "**Guizhou Huayuan**") and 貴州燃氣(集團)天然氣支綫管道有限公司 (Guizhou Gas (Group) Natural Gas Pipelines Co., Ltd.*, "**Guizhou Gas Pipelines**") (each of them being a subsidiary or associate of UHL Group) and a legal representative of each of Heze Lujie and Guizhou Huayuan. He obtained his bachelor degree in Engineering from Jiangnan University (江南大學) (formerly known as Wuxi Polytechnic University, 無錫輕工業學院) in 1989. Mr. Bao joined Guangdong Light Industry Design Institute (廣東中輕工程設計院) as an engineer from 1989 to 2000 and was responsible for the research and development of the manufacturing technique of various biological-engineering and chemical engineering projects such as the design and management of amino acids production plant and brewery. Prior to joining the Group, Mr. Bao was the vice president of Guangzhou Circle. He was involved in a series of oil refineries, power plants construction and acquisition projects. He has over 20 years of experience in project investment, construction and operation management. Upon Completion, Mr. Bao will remain as a director of each of Huaheng Energy, Heze Lujie, Guizhou Huayuan and Guizhou Gas Pipelines (each of them being a subsidiary or associate of UHL Group).

Subject to approval by the Shareholders at the SGM, Mr. Bao will be responsible for the overall business and affairs of the Group, in particular to identify new sales/business prospects and to drive business growth and requirements for sales development.

* *For identification purposes only*

Mr. Bao does not hold any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or major appointments and professional qualifications.

Relationships with directors, senior management, substantial or controlling shareholders of the Company

Mr. Bao is a cousin of Mr. Wang. Save as aforesaid, Mr. Bao is not related to any directors, senior management, substantial or controlling shareholders of the Company.

Interests in Shares and Sale Shares

As at the Latest Practicable Date, Mr. Bao is interested in 16% of the equity interest in Ever Express which holds approximately 7.54% equity interests of the Vendor. Pursuant to the UHL SPA, upon Completion, Ever Express will be interested in approximately 6.23% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

Save as disclosed above, Mr. Bao does not have any interests in any shares or underlying shares of the Company required to be disclosed pursuant to Part XV of the SFO.

Service contract

The Company will enter into a service contract with Mr. Bao after obtaining the Shareholders' approval of his appointment as an executive Director at the SGM. Mr. Bao will be subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws of the Company. The remuneration for Mr. Bao's serving as an executive Director will be determined by the remuneration committee of the Company according to the authorisation by the Shareholders and based on the Company's remuneration policies regarding executive Directors. The Company will make further announcement in relation to Mr. Bao's remuneration once it is determined by the Company's remuneration committee.

Save as disclosed above, Mr. Bao is not aware of any other matters relating to his appointment that need to be brought to the attention of the shareholders of the Company and any other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

PROPOSED CHANGE OF COMPANY NAME

Subject to approval by the Shareholders at the SGM, the Company proposes to change the English name of the Company from "Ngai Lik Industrial Holdings Limited" to "Yuan Heng Gas Holdings Limited" and to adopt and register a Chinese name "元亨燃氣控股有限公司" as its secondary name, and to cease to use its existing Chinese name "毅力工業集團有限公司" for identification purpose upon Completion.

Reasons for the Change of Name

The Change of Name is to reflect the Company's plan to focus its business in the energy industry, in particular, the sector relating to natural gas. In addition, the Board believes that the new name of the Company can improve the Company's corporate image and identity, which the Board considers to be in the interests of the Company and the Shareholders as a whole.

Conditions

The Change of Name is conditional upon the following conditions (the "**Change of Name Conditions**") having been satisfied:

(i) the passing by the Shareholders at the SGM of a special resolution to approve the Change of Name;

(ii) the issue of a certificate of incorporation on change of name bearing the new English and Chinese names by the Registrar of Companies in Bermuda; and

(iii) completion of the UHL SPA and the transactions contemplated thereunder.

Effect of the Change of Name

Subject to the satisfaction of the Change of Name Conditions, the Change of Name will take effect from the date of the issue of a certificate of incorporation on change of name bearing the new English and Chinese names by the Registrar of Companies in Bermuda. The Company will then carry out all necessary filing procedures with the Companies Registry in Hong Kong.

The Change of Name will not affect any rights of the Shareholders or the Company's daily business operation or its financial position. All existing share certificates of the Company in issue bearing the present name of the Company will, after the Change of Name becoming effective, continue to be good evidence of legal title to the Shares and will continue to be valid for trading, settlement, registration and delivery purposes. As such, no arrangement will be made for the exchange of the existing share certificates of the Company for the new share certificates bearing the Company's new name as a result of the Change of Name.

Once the Change of Name has become effective, new share certificates of the Company will be issued only in the new name of the Company and the securities of the Company will be traded on the Stock Exchange in the new name.

Further announcement(s) will be made by the Company to inform the Shareholders of results of the SGM, the effective date of the Change of Name and the new stock short names of the Company.

THE SGM

The SGM will be held at Hong Kong General Chamber of Commerce, 22/F., United Centre, 95 Queensway, Hong Kong on 8 May 2014 at 9:45 a.m..

The SGM notice is set out on pages SGM-1 to SGM-4 of this circular. At the SGM, resolutions will be proposed to approve (i) the UHL SPA and the transactions contemplated thereunder; (ii) the Appointment of Executive Director; and (iii) the Change of Name (collectively, the "**Transactions**").

Shareholders whose names appear on the register of members of the Company on 7 May 2014, being the record date, are entitled to attend and vote at the SGM.

In order to qualify for attending and voting at the meeting, all validly executed transfer documents accompanied by the relevant share certificates (and such other documents as may be required) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 7 May 2014. Only shareholders registered as a member of the Company on Wednesday, 7 May 2014 shall be entitled to vote at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the HKExnews website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.ngailik.hk.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy to the Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time fixed for holding the SGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

Mr. Wang has abstained from voting on the board resolution(s) to approve the Acquisition and the Appointment of Executive Director. Mr. Wang and his associates shall abstain from voting on the proposed resolution(s) to approve the Acquisition and the Appointment of Executive Director at the SGM.

Further, pursuant to Rules 2.15, 14.49 and 14.63(2)(d) of the Listing Rules, any Shareholder with a material interest in the Acquisition and his associates will abstain from voting on the proposed resolution(s) to approve the Acquisition at the SGM. Therefore, any Vendor's Shareholder which is a Shareholder or an associate of a Shareholder is required to abstain from voting on such resolution(s). As at the Latest Practicable Date and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Wang, through Frontier Global Group Limited, controls an aggregate of 636,540,351 Shares (representing approximately 62.43% of the total issued share capital of the Company) and will be required to abstain from voting on the proposed resolution(s) to approve the Acquisition at the SGM. Save for the aforesaid and to the best knowledge of the Directors, no other Shareholder is involved in or interested in the transactions which requires him/her/it to abstain from voting on the proposed resolution(s) to approve the Transactions at the SGM as at the Latest Practicable Date.

RECOMMENDATIONS

Your attention is drawn to the letter of recommendation from the Independent Board Committee to the Independent Shareholders set out on pages 30 to 31 of this circular which contains its recommendation to the Independent Shareholders on the UHL SPA and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Consideration Shares).

Your attention is also drawn to the letter from Investec on pages 32 to 54 of this circular which contains, among other matter, its advice to the Independent Board Committee and the Independent Shareholders regarding the UHL SPA and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Consideration Shares).

The Board considers that the terms of the UHL SPA and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Consideration Shares) are in the interests of the Company and the Shareholders as a whole, and therefore recommends the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the UHL SPA and the transactions contemplated thereunder.

The Board considers that (i) the Appointment of Executive Director; and (ii) the Change of Name are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders should vote in favour of the resolutions to be proposed at the SGM to approve (i) the Appointment of Executive Director; and (ii) the Change of Name.

FURTHER INFORMATION

Your attention is drawn to the additional information set out in other sections of and appendices to this circular.

Yours faithfully,
By the order of the Board of
NGAI LIK INDUSTRIAL HOLDINGS LIMITED
Pan Junfeng
Executive Director

NGAI LIK INDUSTRIAL HOLDINGS LIMITED
(毅力工業集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

15 April 2014

To the Independent Shareholders,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF UNION HONOR LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES

INTRODUCTION

We refer to the circular (the "**Circular**") dated 15 April 2014 issued by the Company of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the UHL SPA and the transactions contemplated thereunder and to advise you as to whether, in our opinion, (i) the terms of the UHL SPA and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and (ii) the Acquisition is in the interests of the Company and its Shareholders as a whole.

Investec Capital Asia Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the UHL SPA and the transactions contemplated thereunder. Details of its advice and principal factors taken into consideration in arriving at its recommendation are set out in the "Letter from Investec" on pages 32 to 54 of the Circular.

* *For identification purposes only*

RECOMMENDATION

Having taken into account the terms of the UHL SPA and the transactions contemplated thereunder and the advice and recommendation of Investec Capital Asia Limited and the principal factors and reasons taken into consideration by it in arriving at its opinion, we consider that (i) the terms of the UHL SPA and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and (ii) the Acquisition is in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote for the Acquisition and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Ngai Lik Industrial Holdings Limited

Dr. Leung Hoi Ming **Mr. Wong Chi Keung** **Mr. Tom Xie**
Independent Non-executive Directors

The following is the text of the letter of advice from Investec to the Independent Board Committee and the Independent Shareholders in relation to the UHL SPA and the transactions contemplated under the UHL SPA prepared for the purpose of incorporation in this circular.

Investec

Investec Capital Asia Limited
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香港中環金融街8號國際金融中心二期36樓3609室
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www.investec.com

15 April 2014

To: The Independent Board Committee and
the Independent Shareholders of
Ngai Lik Industrial Holdings Limited

Dear Sirs/Madams,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF UNION HONOR LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the UHL SPA and the transactions contemplated under the UHL SPA. Details of the UHL SPA are contained in the letter from the Board (the "**Letter from the Board**") of the circular to the Shareholders dated 15 April 2014 (the "**Circular**"), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

On 28 October 2013, the Purchaser, the Vendor and the Vendor's Shareholders entered into the UHL SPA, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to dispose of the Sale Shares, representing the entire issued share capital of UHL, and on 17 March 2014, the Purchaser, the Vendor and the Vendor's Shareholders entered into the Supplemental Agreement pursuant to which the parties agreed to, among other things, extend the Long Stop Date and revise the consideration for the Acquisition.

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 100%, the Acquisition constitutes a very substantial acquisition for the Company under the Rule 14.06(5) of the Listing Rules.

As at the Latest Practicable Date, Mr. Wang, an executive Director, the chairman and chief executive officer of the Company and the controlling Shareholder, is beneficially interested in, through Frontier Global, an aggregate of 636,540,351 Shares, representing approximately 62.43% of the total issued share capital of the Company. Through his wholly and beneficially owned Champion Ever, Mr. Wang is also interested in approximately 62.89% of the Vendor. The Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company pursuant to the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board consists of two executive Directors, namely, Mr. Wang Jianqing and Mr. Pan Junfeng, and three independent non-executive Directors, namely, Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie. The Independent Board Committee comprising all of the independent non-executive Directors, namely, Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie, has been established to consider the Acquisition. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether or not (i) the terms of the UHL SPA and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and (ii) the Acquisition is in the interests of the Company and its Shareholders as a whole.

II. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Group contained in the Circular and the information and representations provided to us by the Group and/or its senior management staff (the "**Management**") and/or the Directors. We have assumed that all such statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true, accurate and complete in all material respects at the time they were made and given and continued to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Directors and/or the Management contained in the Circular have been made on a reasonable basis after due and careful enquiries. We have also sought and obtained confirmation from the Group and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular, the omission of which would render any statement in the Circular misleading.

We consider that we have reviewed all currently available information and documents to enable us to reach an informed view and to justify our reliance on the information provided so as to form a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group, UHL Group or their respective subsidiaries or the prospects of the markets in which they respectively operate.

III. PRINCIPAL FACTORS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group and reasons for the UHL SPA

The Company, through its subsidiaries, is principally engaged in two operation segments, namely, i) trading of oil and gas products and the provision of the related consultancy services ("**OGT**"); and ii) the design and sale of electronic and electrical products ("**EMS**").

The Group was also previously engaged in the manufacture of electronic products and property investment prior to announcing a capital restructuring and group reorganization (the "**Restructuring**") in February 2009. The financial position of the Group had significantly deteriorated and recorded a loss of approximately HK$916.3 million for the year ended 31 March 2009 and a drop of net assets value (the "**NAV**") from approximately HK$938.0 million as at 31 March 2008 to HK$18.7 million as at 31 March 2009 due to the adverse impact of the worldwide economic downturn triggered by the financial crisis. Upon the Restructuring, the Group chiefly retained the EMS business.

As disclosed in the annual report of the Company for the year ended 31 March 2012 (the "**2012 Annual Report**"), the Management, after having carried out a review on the Group's EMS operation, had resolved to shut down the product lines which reported consecutive net losses through a voluntary winding up of a subsidiary in view of the critical business environment faced by the export-manufacturing industry. Moreover, in order to diversify the Group's business and enhance the value of the Company, the Group has started a new oil trading division engaging principally in the trading of coal, oil and chemical products and provision of consultancy services since April 2011.

As set out in the annual report of the Company for the year ended 31 March 2013 (the "**2013 Annual Report**"), the Group will continue to leverage on the experience and network of the management and to develop its oil and gas trading business platform while downsizing the EMS operation. Moreover, as mentioned in the interim report of the Company for the six months ended 30 September 2013 (the "**Interim Report 2014**") the Group will continue to explore new business opportunities to create value for its Shareholders. Set out below is a summary of the operating results of the Group for each of the three years ended 31 March 2013 and the six months ended 30 September 2013 extracted from the 2012 Annual Report, the 2013 Annual Report and the Interim Report 2014:

	For the year ended 31 March			**For the six months ended 30 September**
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Total turnover	675,518	2,001,847	6,152,787	7,272,343
— Gross amount of oil and gas sales contracts & consultancy services fee income (net of expense)	—	1,900,986	6,151,288	7,272,343
— EMS business	675,518	100,861	1,499	—
Gross profit/(loss)	(6,556)	4,283	10,123	3,566
— Net income from oil and gas contracts	—	2,958	10,093	3,566
— EMS business	(6,556)	1,325	30	0
(Loss)/profit for the year	(104,215)	125,102*	(2,930)	(1,615)

* *This profit was mainly attributed to a gain of HK$152.8 million on deconsolidation of the subsidiary and related assets of the export-manufacturing of electronic products mentioned above.*

1.1. Financial highlights for the year ended 31 March 2011

For the year ended 31 March 2011, the Group recorded total turnover of approximately HK$675.5 million (as compared to approximately HK$2,001.8 million for the year ended 31 March 2012), a gross loss of approximately HK$6.6 million (as compared to a gross profit of approximately HK$4.3 million for the year ended 31 March 2012) and a loss of the year of approximately HK$104.2 million (as compared to a profit of approximately HK$125.1 million for the year ended 31 March 2012). The financial results for the year ended 31 March 2011 were solely attributed to the EMS business prior to the establishment of the OGT business in April 2011.

1.2. Financial highlights for the years ended 31 March 2013 and 2012

For the year ended 31 March 2013, the Group recorded total turnover of approximately HK$6,152.8 million, representing an increase of approximately 207.4% from approximately HK$2,001.8 million for the year ended 31 March 2012. During the same period, the Group recorded a gross profit of approximately HK$10.1 million, representing an increase of approximately 136.4% from approximately HK$4.3 million for the year ended 31 March 2012. The Group recorded a loss for the year of approximately HK$2.9 million, as compared to a profit of approximately HK$125.1 million for the year ended 31 March 2012. In terms of the total turnover, the OGT business contributed approximately HK$6,151.3 million (or approximately 100.0% of the total turnover), representing an increase of approximately 223.6% from approximately HK$1,901.0 million (or approximately 95.0% of the total turnover) for the year ended 31 March 2012. The remaining turnover of approximately HK$1.5 million was made up by the EMS business, representing a decrease of approximately 98.5% from approximately HK$100.9 million (or approximately 5.0% of the total turnover) for the year ended 31 March 2012. The OGT business contributed approximately HK$10.1 million (representing approximately 99.7% of the total gross profit) and the EMS business contributed approximately HK$0.03 million (representing approximately 0.3% of the total gross profit) to the overall gross profit, representing an increase of approximately 241.2% from approximately HK$3.0 million and a decrease of approximately 97.7% from approximately HK$1.3 million, respectively, from the year ended 31 March 2012.

We note from the Annual Report 2012 that the profit for that year was mainly attributed to a gain of approximately HK$152.8 million on the deconsolidation of the subsidiary and related assets of EMS business as mentioned above. Save for this amount, the Group would have recorded a loss of approximately HK$27.7 million for the year ended 31 March 2012.

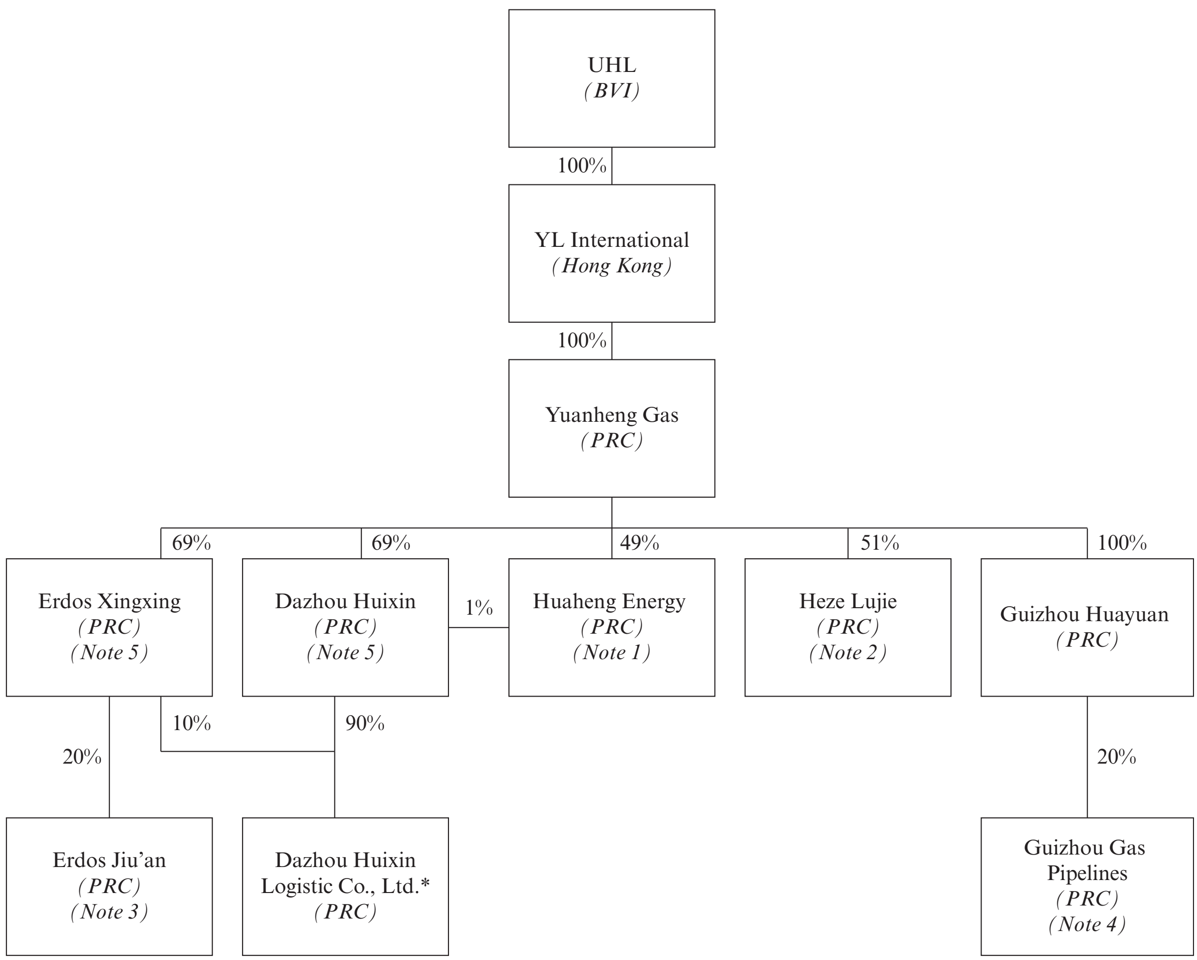
1.3. Financial highlights for the six months ended 30 September 2013

For the six months ended 30 September 2013, the Group recorded total turnover of approximately HK$7,272.3 million, a gross profit of approximately HK$3.6 million and a loss of the year of approximately HK$1.6 million. The financial results for the six months ended 30 September 2013 were solely attributed to the oil and gas trading business. The Group did not earn any revenue from the EMS business for the period due to the critical business environment for export manufacturing as indicated in the Interim Report 2014.

In view of the above, we note that the OGT business has contributed primarily to the total turnover and gross profit growth and improvement of the Group's results in the recent years.

2. Information on UHL Group

UHL is an investment holding company and was incorporated in the BVI with limited liability and holds 100% equity interests in YL International which is in turn the registered owner of Yuanheng Gas. The group structure of UHL Group as the Latest Practicable Date is illustrated below:



Notes:

1. Huaheng Energy is owned as to 50% by Guizhou Gas. Huaheng Energy is a non wholly-owned subsidiary of UHL and the result of which is consolidated into the accounts of UHL. Guizhou Gas is a state-owned enterprise and the leading gas corporation in Guizhou Province. It is also the largest operator of intercity gas pipeline networks in Guizhou Province.

2. Heze Lujie is owned as to 38% by Heze Group and as to 11% by Shangdong Hongzhi. Heze Lujie is a non wholly-owned subsidiary of UHL and the result of which is consolidated into the accounts of UHL. Heze Group is a state-owned enterprise and one of the largest passenger transportation corporations in Shangdong Province. Shangdong Hongzhi is also a state-owned enterprise and is engaged in the development and management of road transport infrastructure (including LNG fueling stations) in Shangdong Province.

3. 鄂爾多斯市九安喜順物流有限公司 (Erdos Jiu'an XiShun Logistics Co., Ltd.*, "Erdos Jiu'an") is owned as to 70% by 鄂爾多斯市九安商貿有限公司 (Erdos Jiu'an Commerce Co., Ltd*, "Erdos Commerce") and as to 10% by 深圳市喜順實業發展有限公司 (Shenzhen XiShun Development Co., Ltd*, "Shenzhen Development"). Erdos Jiu'an is owned as an associate of UHL.

4. Guizhou Gas Pipelines is incorporated on 25 July 2013 with remaining shareholding interests owned by Guizhou Gas (51%) and Guizhou Agricultural (29%) respectively. Guizhou Gas Pipelines is an associate of UHL.

5. Each of Erdos Xingxing and Dazhou Huixin is owned as to 31% by Mr. Wu Lexian ("Mr. Wu").

* *for identification purpose only*

According to the Circular, the principal business operations of UHL Group are carried out entirely through Yuanheng Gas Group that became a wholly-owned subsidiary of YL International upon the completion of an acquisition entered into in September 2012. UHL (through YL International) subscribed for the registered capital of Yuanheng Gas in December 2011 and owned 96.5% of Yuanheng Gas Group upon the subscription. As stated in the Letter from the Board, Yuanheng Gas Group is principally engaged in processing, distribution, sales, trading and transportation of LNG products and other auxiliary business in the PRC. Yuanheng Gas Group liquefies the natural gas into LNG, thereafter sells to wholesale and retail customers, and is also involved in LNG trading business. Yuanheng Gas Group operates two natural gas liquefaction plants in Sichuan and Inner Mongolia Autonomous Region, each with the designed processing capacity 200,000 tonnes of LNG per annum and daily processing capacity of 1,000,000 cubic metres("**m^3**"). Yuanheng Gas Group also operates two LNG satellite stations in Guizhou Province with a total of 14 tanks and LNG storage capacity of up to 1,300,000 m^3 and one LNG fueling station in Shangdong Provinces and manages 50 LNG trucks in total as at the Latest Practical Date. Yuanheng Gas Group has commenced its LNG trading business since November 2011 where each buy or sell side agreement is entered into on a shipment by shipment basis. Yuanheng Gas Group bears the risk on the gross amount for each contract it entered into, and trades each contract at its own risk but requires full payment prior to the delivery for all of its trading transactions. Subject to the agreed terms of shipping arrangement, the Yuanheng Gas Group will arrange for, amongst other things, loading, transportation and so forth.

Furthermore, we note from the section under "Business of UHL Group" in the Circular that (i) the two natural gas liquefaction plants in Sichuan and Inner Mongolia Autonomous Region are in the proximity of the natural gas fields which Yuanheng Gas Group can benefit in terms of transportation costs minimization; (ii) Yuanheng Gas Group is able to source stable and reliable natural gas supplies for the LNG production pursuant to certain gas purchase agreements with the two state-owned enterprises (the "**SOE**"); (iii) Yuanheng Gas Group has been extended the exclusive right by Guizhou Gas to operate and supply pipelined gas in Renhuai, a city developing into a center of the PRC and Guizhou liquor industry under the "Three Buildings" strategy by the Guizhou Provincial Party Committee and Provincial Government; (iv) Yuangheng Gas Group has signed certain long-term sales and framework agreements with its major customers pursuant to which the LNG distribution prices are subject to adjustments with reference to the changes in costs of natural gas, processing cost and market price of LNG during the contract period; (v) the management team of Yuanheng Gas Group has extensive experience of over 10 years on average in the areas of engineering, financial, business management and sale and marketing in the energy industry; and (vi) Yuanheng Gas Group has formed strategic alliance with established local partners (mainly SOEs) to share their business network in the market.

As set out in the Appendix IIA to the Circular, UHL Group recorded nil audited consolidated turnover and an audited consolidated loss attributable to owners of UHL of approximately RMB64,000 for the period from 7 January 2011 to 31 December 2011. Furthermore, UHL Group recorded an audited consolidated turnover of approximately RMB1,143.3 million for the year ended 31 December 2012 and of approximately RMB1,832.5 million for the year ended 31 December 2013, representing a growth rate of approximately 60.3%. The audited consolidated profit attributable to owners of UHL was approximately RMB60.2 million for the year ended 31 December 2012 and approximately RMB134.2 million for the year ended 31 December 2013, representing a growth rate of approximately 122.9%. The audited consolidated net assets attributable to owners of UHL amounted to approximately RMB570.7 million (the "**2013 NAV**") as at 31 December 2013, representing an increase of 38.7% from the audited consolidated net assets attributable to owners of UHL amounted to approximately RMB411.4 million as at 31 December 2012. For further details of the business activities and financial information of UHL Group's subsidiaries and associated companies for the period from the date of incorporation on 7 January 2011 to 31 December ended 2013, please refer to the section headed "Information on UHL Group" in the Letter from the Board and the Appendix IIA to the Circular.

We note that UHL Group has the strategies to leverage on its existing presence in Renhuai to continue extending its business network within hundreds of white wine distilleries clusters along the Chishui River from 18 white wine distillers which have entered into supply contracts with UHL Group.

In terms of the business development, among others, UHL Group:

(i) will further construct two LNG satellite stations in Guizhou Province to increase the existing daily gas supply capacity from approximately 400,000 m^3 to approximately 1,000,000 m^3 by the end of 2014, which is expected to commence commercial operation by the first quarter of 2015. The construction costs are expected to be controlled within RMB80 million and financed by internal resources of the Enlarged Group and bank borrowings of Huaheng Energy;

(ii) has obtained the approval for the construction project of pipeline network connecting between Renhuai and Zunyi in Guizhou Province which is expected to contribute to the revenue of Yuanheng Gas Group in the fourth quarter of 2014. It is expected that the construction of the project will be financed through a combination of internal source of funds and bank borrowing of Guizhou Gas Pipelines;

(iii) is expected to enter into a cooperation agreement with the an established gas enterprise in Guangdong Province by mid 2014 for the establishment of a joint venture company on a 50/50 basis which enables UHL Group to tap into new market in the Southern part of China to supply natural gas to boats, vessels or transportation vehicles along the Xi River and to develop LNG storage facilities to have sufficient LNG reserve to meet any changes in market condition such as gas shortage during the winter peak season. The LNG storage facilities will be constructed and developed in two phases with the following: (a) phase 1, having a expected cost of approximately RMB100 million, involves the construction and development of two 5,000 m^3 LNG storage tanks with gasification capacity of 6 million Nm^3 which are expected to commence commercial operation in the first quarter of 2015; and (b) phase 2, having a expected cost of approximately RMB150 million, involves the construction and development of two 10,000 m^3 LNG storage tanks with gasification capacity of 12 million Nm^3 which are expected to commence commercial operation in mid 2016. UHL Group will share 50% of the total investment costs for construction of approximately RMB250 million from the strategic partner and expects to finance the project by internal resources of the Enlarged Group and the existing bank facilities available to the Enlarged Group; and

(iv) has entered into a framework agreement with a well established enterprise engaging in energy industry in Hunan Province for the expansion of its network of fuelling station in the PRC and will enter into a cooperation agreement by the end of 2014 for the establishment of a joint venture company which will be engaged in the development and operation of mixed gasoline and natural gas fuelling stations in the PRC which is expected to be financed by the internal resources of the Enlarged Group and the existing bank facilities available to the Enlarged Group.

In accessing the financing feasibility of the above business development, we note from the Letter from the Board that UHL Group has successfully secured a revolving credit facility from a financial institution in the PRC for up to RMB700 million for a term of two years till 19 May 2015 under which UHL Group intends to apply for constructing LNG storage facilities near Xi River among others. In addition, as disclosed in the Circular, the executive Directors are of the opinion that, after taking into account the financial resources available to the Group including the available credit facilities, the internally generated funds of the Group and the cash flow impact of the Acquisition, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of the Circular.

As such, we concur with the executive Directors' view that UHL Group (i) is a vertically integrated gas corporation that has established the LNG processing, distribution, sales, trading, transportation and other ancillary operations and networks which will complement and reinforce the Group's existing energy division; and (ii) has been improving its operation scale as well as business prospects since its incorporation. We are also of the view that UHL Group has demonstrated a positive financial track record since its incorporation.

3. Outlook of the natural gas industry in the PRC

Having reviewed and considered the details with regard to the natural gas industry in the PRC set out in the section headed "Industry Overview" of the Circular, we are of the view that (i) natural gas as a main source of energy has natural and economical advantages; (ii) the PRC has a favorable natural gas policy supported by the government; (iii) there is a relatively rapid demand and a market potential for natural gas in the energy market called upon by continued and sustainable economic growth in the PRC; (iv) the underdeveloped natural gas infrastructure in the PRC may pose an optimistic prospect for growth; and (v) reserve and production shortage and the clean energy demand from transportation and beverage manufacture industries render favourable growth opportunities for natural gas suppliers in Shangdong and Guizhou (where UHL Group chiefly operates).

In addition to the above, we, having considered the details set out in the section headed "Regulatory Overview" of the Circular, concur with the view of the management of Yuanheng Gas Group that entry barriers into large scale LNG operations are relative high due to regulatory, safety and capital requirement. We consider that the regional competition in the LNG liquefaction, sales and distribution industries in the PRC in the foreseeable future may be limited.

Furthermore, we have considered some additional relevant economic indicators, particularly in (i) Shandong where the transportation sector represents the main customer sector of UHL Group; and (ii) Guizhou where alcohol distilleries represent the main customer sector.

According to Shandong Statistical Information Net (www.stats-sd.gov.cn), urban and rural income per capita grew on average by approximately 16.6% and 20.2% and reached approximately RMB30,628 and RMB10,620, respectively, from 2010 to 2013. During the same period, the urban and rural consumption per capita on average increased by approximately 12.5% and 21.7% to approximately RMB17,112 and RMB7,393, respectively. Among others, urban and rural transportation and communication consumption per capita on average respectively increased by approximately 12.9% and 24.9%, which both are faster than the growth of the overall consumption, to approximately RMB2,475 and RMB 1,041.

According to the statistics published by National Bureau of Statistics of China, the white wine (65% equivalent) sales national-wide on average grew by approximately 14.5% from approximately 20.9 billion litres in 2010 to approximately 27.4 billion litres in 2012. The statistics published by Guizhou Statistics Bureau indicates the white wine output (65% equivalent) in the province increased from approximately 160.4 million litres to approximately 268.3 million litres from 2010 to 2012, representing a compound average growth rate of approximately 29.3%.

4. Reasons for and benefits of the Acquisition

Details on the reasons for and benefits of the Acquisition considered by the Company are set out in the section headed "Reasons for and benefits of the Acquisition" in the Letter from the Board.

Having considered that (i) the Group has engaged in oil and gas trading since April 2011; (ii) the oil and gas trading division has become the largest turnover contributor to the Group and been improving the Group's gross profit and the net results since the financial year ended 31 March 2012; (iii) it is the strategy of the Group to continue to leverage on the experience and network of the Management and to develop its oil and gas trading business platform while downsizing the EMS operation; (iv) UHL Group has established LNG processing, distribution, sales, trading, transportation and other ancillary operations and networks which the Management considers complementary and reinforced to the Group's existing energy division; and (v) the positive financial performance of UHL Group for the nearly 3 years period from the incorporation on 7 January 2011 to 31 December 2013 as discussed above, we concur with the executive Director's view that that the Acquisition is in line with the development strategies of the Group and can create long-term and strategic benefits to the Group.

5. Principal terms of the UHL SPA

5.1 UHL SPA

Date: 28 October 2013, as amended and supplemented by the Supplemental Agreement dated 17 March 2014

Parties: Firmwill Investment Limited, a wholly owned subsidiary of the Company, as the
Purchaser;

Ying Hui Limited as the Vendor; and

Vendor's Shareholders

Assets to be acquired

The Sale Shares, representing the entire issued share capital of UHL.

Purchase Price

Pursuant to the terms of the UHL SPA, the Consideration of HK$3,068,246,340 (subject to adjustment as described below) shall be settled in the following manners upon the date of Completion:

1. as to HK$70,000,000 to be deemed as paid in cash by a refundable deposit (the "**Cash Portion**"); and

2. as to HK$2,998,246,340 to be satisfied by procuring the Company to issue and allot to the Vendor's Shareholders (and/or their respective nominee(s)) a total of 4,283,209,057 Consideration Shares, credited as fully paid in accordance with their respective shareholding in the Vendor (as for Champion Ever, its proportionate interest in the Consideration Shares shall be deducted accordingly by the Cash Portion of HK$70,000,000) at an issue price of HK$0.70 per Consideration Share (the "**Consideration Share Portion**").

A refundable deposit (the "**Deposit**") of HK$70,000,000 has been paid by the Purchaser to the Vendor at the 10 Business Days upon the signing of the UHL SPA. The Deposit shall bear no interest. The Deposit will be applied as part of the Consideration upon Completion. If any of the conditions precedent of the UHL SPA has not been satisfied (or as the case may be, waived by the Purchaser) on or before the Long Stop Date, the Vendor shall return the Deposit in cash to the Purchaser within 10 Business Days from the Long Stop Date. In the event the UHL SPA is terminated, the Vendor shall return the Deposit in cash to the Purchaser within 10 Business Days from the day of termination of the UHL SPA.

In accordance with the UHL SPA, the Purchaser and the Vendor agreed that the Consideration is subject to adjustment (the "**Adjustment**") if the audited consolidated net profit (after tax but excluding minority interests) of UHL Group for the year ended 31 December 2013 (the "**Audited 2013 Profit**") extracted from the Accounts times the price-to-earnings ratio of UHL Group of 18 times (the "**Actual Value**") is over 5% lesser than the Consideration of HK$3,068,246,340. In such event, the Purchaser and the Company shall have the right to offset the divergence between the Actual Value and the Consideration (the "**Divergence**") on a dollar for dollar basis against the Consideration Shares Portion and adjust the number of the Consideration Shares to be allotted and issued to each of the Vendor's Shareholders (and/or their respective nominee(s)) pro-rata to their respective shareholding in the Vendor.

We have reviewed the audited accounts of UHL Group as set out in the Appendix IIA to the Circular and note that the Audited 2013 Profit of approximately RMB134.2 million is the same as the Unaudited 2013 Profit, rendering the acquisition P/E ratio (the "**Acquisition P/E Ratio**") to be 18 times and no Adjustment required.

Given the fact that the Actual Value has been finalized and confirmed that it is not less than the Consideration, there will not be any Divergence and the Consideration remains as HK$3,068,246,340.

5.2 Evaluation of the Consideration taking into account the adjustment for the Consideration

As set out in the Letter from the Board, the Consideration was arrived at after arm's length negotiations among the Company, the Purchaser, the Vendor and the Vendor's Shareholders with reference to, including but not limited to, (i) the business prospects of UHL Group; (ii) the Unaudited 2013 Profit of approximately RMB134.2 million (equivalent to approximately HK$170.4 million); (iii) the price-to-earnings ratio (the "**P/E ratio**") of approximately 18 times of UHL Group, which is within the range of the P/E ratio of the companies listed in Hong Kong whose principal activities include, among others, distribution, sales, trading and transportation of natural gas, which are similar to those of UHL Group; and (iv) the benefits of the Acquisition as detailed in the paragraph headed "Reasons for and benefits of the Acquisition" in the Letter from the Board.

As set out in the Letter from the Board, the Board has considered alternative approaches in determining the basis for arriving at the Consideration such as a business valuation of UHL Group based on future earnings and/or cash flow projection. Nevertheless, due to the fact that the projection of future earnings and/or cash flow of UHL Group or the business assumptions involved could be subject to even greater uncertainties and subjectivity, the Board is of the view that the Consideration arrived at based on P/E ratio is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In the absence of any information available to us regarding the future earnings of UHL Group, we are unable to evaluate the Consideration based on valuation methodology involving the future cash flows of UHL Group. Nevertheless, in assessing the fairness and reasonableness of the Consideration, we have considered and performed an analysis on the P/E ratio and price-to-net asset value ratio (the "**P/NAV ratio**") of comparable companies listed on the Stock Exchange, each method is an appropriate indicator in assessing financial performance of companies for comparable purposes. Using Bloomberg, we have identified, to the best of our knowledge, an exhaustive list of four listed issuers on the Main Board of the Stock Exchange (the "**Peer Comparables**"), ensuring the listing status and accounting policy are on acceptable and comparable standard, based on the following criteria: having (i) similar principal activities include distribution, sales, trading and transportation of natural gas in the PRC (which contribute to no less than 50% of its overall turnover based on their respective latest published annual reports and exclude upstream gas and oil exploration and/

or production); (ii) comparable total turnover based on their respective latest published annual reports which is equal to or not more than HK$13.0 billion and comparable market capitalization as at the date of the Supplemental Agreement which is above HK$0.5 billion; and (iii) comparable capital structure which the gearing ratio is above 25%. We have further reviewed the relevant annual reports and announcements on the financial performance and management discussion and analysis and compared with the relevant disclosure of UHL Group in the Circular. We note that the Peer Comparables may not operate exactly in the same provincial region as UHL Group. However, taking into account of the publicly availability of the comparables, the Plan for Energy Development as a national program and the wide geographic coverage by UHL Group as well as its customers from Southwest and Northwest China to South and East China as discussed in the Circular, we consider the Peer Comparables reflect the natural gas market sector as a whole and the nation-wide trend in the PRC and are fair and appropriate for the comparison with UHL Group. As such, we are of the view that the exhaustive list of the four Peer Comparables is sufficient.

We set out below our review and analysis on the (i) P/E ratio and (ii) P/NAV ratio of the Peer Comparables:

Company Name *(Note 1)*	**Stock Code**	**Market capitalization** *(HK$ million)* *(Note 2)*	**Total revenue** *(HK$ million)* *(Note 3)*	**P/E ratio** *(approximately)* *(Note 4)*	**P/NAV ratio** *(approximately)* *(Note 5)*	**Net profit (attributable to the owners of the company) margin** *(Note 6)*	**Gearing ratio** *(Note 7)*	**Principal business** *(Note 8)*
China Oil and Gas Group Ltd.	603	6,351	6,440	15.82	1.79	6.2%	29.2%	Investments in natural gas and energy related businesses
China Tian Lun Gas Holdings Ltd.	1600	5,953	1,158	27.74	5.09	18.5%	30.3%	Investment, operation and management of gas pipeline connections, transportation, distribution and sales of gas, construction and operation of gas filling stations, and production and sales of LNG
Tianjin Jinran Public Utilities Co. Ltd. — H Shares *(Note 9)*	1265	845	1,898	7.88	0.42	5.6%	82.6%	Operation and management of gas pipeline infrastructure and the sale and distribution of piped gas
Towngas China Co. Ltd. *(Note 9)*	1083	25,109	6,716	22.70	2.00	16.5%	48.9	Sales and distribution of piped gas, including provision of piped gas, construction of gas pipelines, operation of city gas pipeline network, the operation of gas fuel automobile refilling stations, and the sale of gas household appliances
Average		9,565	4,053	18.54	2.33	11.7%	47.7%	
Maximum		25,109	6,716	27.74	5.09	18.5%	82.6%	
Minimum		845	1,158	7.88	0.42	5.6%	29.2%	
UHL Group			2,327	18.00 *(Note 10)*	4.23 *(Note 11)*	7.3%	28.1%	UHL Group, through Yuanheng Gas Group, is principally engaged in processing, distribution, sales, trading and transportation of LNG products and other auxiliary business in the PRC

Notes

(1) the listed companies whose shares have been suspended for trading continuous for six months or more immediately prior to the Latest Practical Date have not been included in the Peer Comparables.

(2) Market capitalization is calculated as the closing price multiplied by the number of shares outstanding as at the date of the Supplemental Agreement on 17 March 2014.

(3) Total revenue is the latest available audited consolidated annual revenue of the respective company.

(4) P/E ratio is calculated as the market capitalization of the company as at the date of the Supplemental Agreement on 17 March 2014 divided by the latest available audited consolidated annual net profits attributable to the owners of the company.

(5) P/NAV ratio is calculated as the market capitalization of the company as at the date of the Supplemental Agreement on 17 March 2014 divided by the latest available audited consolidated net asset value attributable to the owners of the company.

(6) the net profit ((attributable to the owners of the company) margin is referred to latest available audited consolidated annual net profits attributable to the owners of the company divided by the latest available consolidated audited annual revenue of the respective company.

(7) Gearing ratio is calculated as the latest available audited consolidated net asset value attributable to the owners of the company divided by the latest available consolidated audited total assets.

(8) the principal business of the Peer Comparables are based on their respective latest published annual report.

(9) although we note that only approximately 7.2% of UHL Group's revenue for the year ended 31 March 2013 was attributed to piped gas, we consider Tianjin Jinnan and Towngas comparable to UHL Group due to the following. As UHL Group signed the gas supply agreement with Kweichow Moutai to supply natural gas to Kweichow Moutai exclusively on 17 September 2012 and Moutai was converting the coal boilers to gas boilers, the sales generated by piped gas for the year ended 31 March 2013 was relatively small. The Management has advised that pipelines are an important distribution channel of natural gases for UHL Group. We also understand from the Management that Moutai has finished the boilers conversion and will increase the gas purchase from UHL Group. In addition, UHL Group has been increasing the customer base and has entered into supply contracts with eighteen white wine distillers (including Kweichow Moutai) for the supply of natural gas to their factories as at the Latest Practicable Date. As such, the Management has advised the sales generated from piped gas has grown significantly in the current financial year and expects such sales from piped gas to continue increase.

(10) the P/E ratio is calculated based on the Consideration divided by the Audited 2013 Profit.

(11) the P/NAV ratio, calculated based on the Consideration divided by the 2013 NAV as set out in the section headed "Financial Information of UHL Group" in Appendix IIA to the Circular.

As set out in the table above, the P/E ratio of the Peer Comparables ranges from approximately 7.88 times to 27.74 times with an average P/E ratio of approximately 18.54 times. We note that the Acquisition P/E Ratio of approximately 18 times is within the range of the P/E ratio of the Peer Comparables and below the average.

The P/NAV ratio of the Peer Comparables ranges from approximately 0.42 times to 5.09 times with an average P/NAV ratio of approximately 2.33 times. We note that the P/NAV ratio of UHL Group, calculated as the Consideration divided by the 2013 NAV, is approximately 4.23 times which is higher than the average but within the range of the P/NAV ratio of the Peer Comparables.

We note that the market capitalization of the Company of approximately HK$970 million as at the date of the Supplemental Agreement is within the range of the Peer Comparables. Furthermore, the total revenue of the UHL Group is lower than the total revenue average of the Peer Comparables but more than double as much as the lower range of the revenue of the Peer Comparables. The net profit (attributable to the shareholders of UHL) margin of UHL Group of approximately 7.3% is lower than the average net profit margin of the Peer Comparables of approximately 11.7% but within the range of that of the Peer Comparables. The gear ratio of UHL Group is lower than the lower range of that of the Peer Comparables. We have discussed with the executive Directors and understand that UHL Group is currently in the phase of growing and scaling up the operation. The executive Directors have advised that UHL Group, with the net profit (attributable to the shareholders of UHL) margin of UHL Group growing from 5.3% for the year ended 31 March 2012 to 7.3% for the year ended 31 March 2013, is expected to generate higher margin and enhance the equity capital base and the gearing in the foreseeable future.

Having considered the above factors, in particular, (i) the Acquisition P/E ratio is lower than the average of the Peer Comparables; (ii) the P/NAV ratio of UHL Group for the Acquisition is within the range of the P/NAV ratio of the Peer Comparables; (iii) the Acquisition is in line with the development strategies of the Group and may create long-term and strategic benefits to the Group as discussed under the heading "Reasons for and benefits of the Acquisition" above; and (v) the positive financial track record of UHL Group since its incorporation with improving operation scale and promising business prospects as discussed under "Information on UHL Group", we concur with the executive Directors' view that the Consideration is fair and reasonable.

We note that there is a considerable premium when comparing the Consideration of HK$3,068,246,340 with the historical investment costs of UHL paid by the Vendor and Champion Ever of approximately HK$463,142,147. As set out in the Letter from the Board, the Company considers that the historical investment costs incurred by Champion Ever should not be a fair or appropriate reference for assessing the fair value of UHL Group as at current date.

In general, we are of the view that considerations for past transactions were arrived at based on the negotiations between the contracting parties under particular circumstances in the past. As the Independent Financial Adviser in respect of the UHL SPA and the transactions contemplated thereunder, we do not consider that we are in a position to opine on the historical transactions entered into by UHL and Champion Ever or any other past transactions.

As mentioned above, in arriving at the Consideration, the Company, the Purchaser, the Vendor and the Vendor's Shareholders have, after arm's length negotiations, made reference to, including but not limited to, the Unaudited 2013 Profit of approximately RMB134.2 million (equivalent to approximately HK$170.4 million) and UHL Group's Acquisition P/E Ratio of approximately 18 times. In assessing the reasonableness and fairness of the Consideration, we are of the view that the P/E analysis is one of the most commonly applied methodologies in business valuation with numerous precedent cases involving companies listed on various exchanges including but not limited to the Stock Exchange and the P/E ratios of the comparable companies would to certain extent reflect the current trend as well as the business conditions as expected by the market. On this basis, we do not consider the historical investment costs incurred by Champion Ever to be a relevant factor or reference for the evaluation of the Consideration.

5.3 The Issue Price

Pursuant to the terms of the UHL SPA, the Consideration will be satisfied by (i) the Cash Portion as to HK$70,000,000; and (ii) the issue of the Consideration Shares as to HK$2,998,246,340 at HK$0.70 per Consideration Share.

A total of 4,283,209,057 Consideration Shares will be issued to the Vendor's Shareholders upon Completion which represents approximately 420.1% of the entire existing issued share capital of the Company as at the Latest Practicable Date and approximately 80.8% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

Comparison of the Issue Price with prevailing share price of the Company and the net asset value of the Group

The Issue Price of HK$0.70 per Consideration Share represents:

i. a discount of approximately 25.5% to the closing price of HK$0.94 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

ii. a discount of approximately 46.15% to the closing price of HK$1.30 per Share as quoted on the Stock Exchange on the Last Trading Day;

iii. a discount of approximately 41.18% to the average of the closing prices of approximately HK$1.19 per Share for the 10 consecutive trading days up to and including the Last Trading Day;

iv. a discount of approximately 34.58% to the average of the closing prices of approximately HK$1.07 per Share for the 30 consecutive trading days up to and including the Last Trading Day; and

v. a premium of approximately HK$0.61 (or approximately 8 times) over the audited consolidated net assets value per Share of approximately HK$0.09 as at 31 March 2013 (based on the Company's latest published audited consolidated net assets value of approximately HK$88,836,000 at 31 March 2013 and 1,019,592,858 Shares in issue as at the Latest Practicable Date).

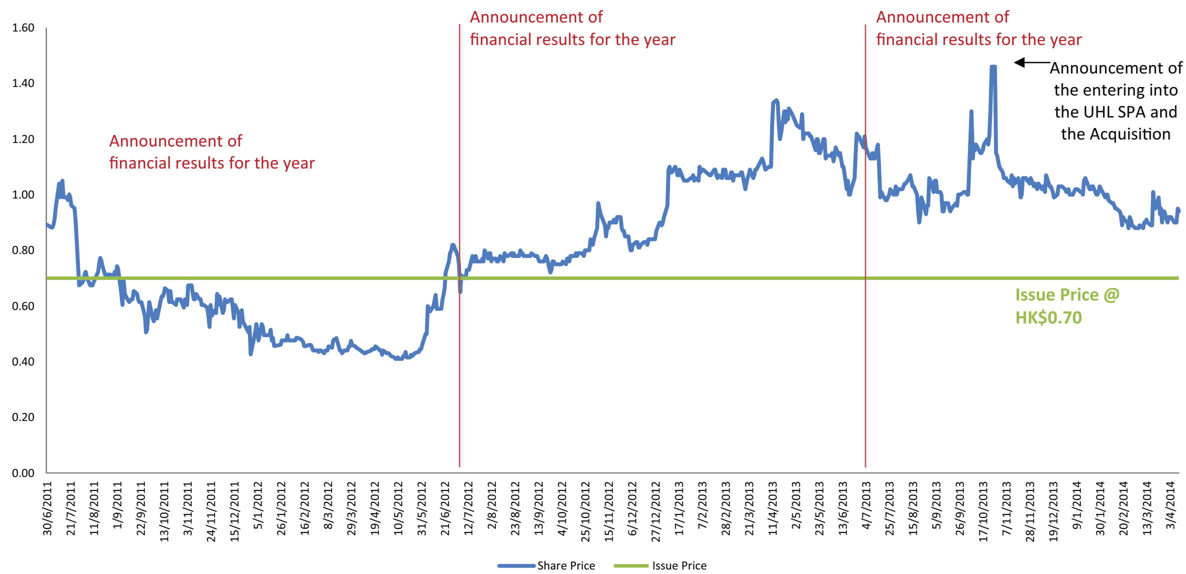
Share price review

In addition to the above, when assessing the fairness and reasonableness of the Issue Price, we have also reviewed (i) the past financial performance of the Company since the financial year ended 31 March 2011, being the first financial year when Frontier Global became the holding company of the Company; and (ii) the percentage movement of the closing price of the Shares as quoted on the Stock Exchange from the six months period prior to the publication of the results announcement dated 30 June 2011 for the financial year ended 31 March 2011 (the "**2011 Results Announcement**") up to and including the Latest Practicable Date (the "**Share Price Review Period**").

As set out in the table below, the Company has been loss making since the financial year ended 31 March 2011 (excluding the one-off gain of approximately HK$152.8 million as a result of the deconsolidation of a subsidiary upon its voluntary winding-up in 2011).

Financial year ended 31 March	**Recorded profit/ (loss) attributable to shareholders** *(HK$' million)*	**Recorded profit/ (loss) attributable to shareholders after adjusting for one-off gain/loss** *(HK$' million)*
2011	(104.38)	(104.38)
2012	125.38	(27.42)
2013	(2.71)	(2.71)

Share Price movement during the Share Price Review Period



As illustrated in the chart above, the Company's share price (the "**Share Price**") during the Share Price Review Period fell to the lowest of HK$0.41 per Share on 8, 9, 11 and 14 May 2012 and rose to the highest of HK$1.46 per Share on 25 October 2013 (before the trading halt) and 28 October 2013 with an average value of approximately HK$0.84 per Share. The Share Price was HK$0.89 per Share when the 2011 Results Announcement was published on 30 June 2011. Moreover, the Share Price exhibited a declining trend since the 2011 Results Announcement until May 2012 when it reached the lowest point at about HK$0.41 per Share. After that, the Share Price rebounded significantly and remained at around HK$0.75 per Share until October 2012. Since then, the Share Price fluctuated and rose to above HK$1.00 per Share during the first quarter of 2013. The Share Price per Share then surged up to about HK$1.30 in April 2013 and dropped significantly afterward to below HK$1.00 in June 2013. Follow up by substantial fluctuation, the Share Price reached its highest point at HK$1.46 per Share on 25 October 2013, before the trading halt and shortly before the Announcement. The Share Price then declined dramatically and was hovering at about HK$1.00 per Share until the end of January 2014.

We note that save for the respective results announcements for each of the three financial years ended 31 March 2013 on 30 June 2011, 29 June 2012 and 24 June 2013, there were no other announcements in relation to the underlying business operations or financial performance of the Group during the Share Price Review Period.

We have observed that (i) the Company had recorded the consecutive losses attributable to shareholders after adjusting for one-off gain but the performance of the Share Price failed to display a single clear trend during the Share Price Review Period; and (ii) the points of the peaks or troughs of each period did not match the relevant results announcement dates.

In light of the Announcement on the entering into of the UHL SPA and the Acquisition on 28 October 2013 after the trading hour, we suspect that the spike of the Share Price to HK$1.46 per Share on 25 October 2013 and 28 October 2013 might be likely attributed to the speculation of the Acquisition by the Company. Furthermore, we note that the Share Price after the Announcement (i) fell downward quickly and considerably; and (ii) have moved around HK$1.00 per Share with a deviation of about 15% but consistently held a premium of between approximately 25% and 60% over the Issue Price of HK$0.70 per Share until the Latest Practicable Date which may indicate a positive market response to the Acquisition.

As such, we concur with the Board that the current trading price of the Shares may not reflect the true value of the Shares as there is a lack of correlation between the current trading price of the Shares and the underlying business operations and/or financial performance of the Group and therefore lesser weight has been placed on the trading price of the Shares when determining the Issue Price.

On the basis that the Issue Price represents a significant premium over the audited consolidated net assets value per Share of approximately HK$0.09 as at 31 March 2013 despite of the fact that the Group recorded a loss attributable to shareholders of approximately HK$2.7 million for the year ended 31 March 2013, we concur with the executive Directors' view that the Issue Price is fair and reasonable.

6. Expected financial effects of the Acquisition to the Group

Upon Completion, UHL will become an indirect wholly-owned subsidiary of the Company, and the financial results and position of UHL Group will be consolidated into the consolidated financial statements of the Group.

Earnings

Based on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group as set out in Appendix III to the Circular, the Group recorded a total comprehensive loss attributable to owners of the Company of approximately RMB2.3 million for the year ended 31 March 2013. On the assumption that Completion had taken place on 1 April 2012, the Enlarged Group would record a total comprehensive income attributable to owners of the Company for the year ended 31 March 2013 of approximately RMB129.1 million, representing a significant increase of approximately RMB131.4 million.

Total equity

Shareholders' attention is drawn to the unaudited pro forma consolidated statement of financial position of the Enlarged Group as set out in Appendix III to the Circular, which illustrates the effect of the Acquisition assuming that Completion had taken place on 30 September 2013. On this basis, the Enlarged Group would have an unaudited pro forma total equity of approximately RMB660.3 million (of which approximately RMB534.6 million was attributable to owners of the Company) as at 30 September 2013, representing a significant increase of approximately RMB591.4 million from the Group's total equity of approximately RMB68.9 million (all attributable to the owners of the Company) before the Acquisition.

Borrowings and gearing ratio

Assuming the Completion had taken place on 30 September 2013, the Enlarged Group would have an unaudited pro forma total interest-bearing borrowings (including both short-term and long-term bank and other borrowings and obligations under finance leases) of approximately RMB717.3 million as at 30 September 2013, representing a significant increase from nil before the Acquisition. The gearing ratio, calculated as the total interest-bearing borrowings divided by total equity of the Group, would be approximately 1.1 after the Acquisition, representing an increase from nil before the Acquisition.

Although the borrowings would increase significantly as a result of the Acquisition, the unaudited total assets of the Enlarged Group would have enlarged significantly to approximately RMB2,846.2 million as at 30 September 2013 assuming the Completion had taken place on 30 September 2013, more than triple from the actual unaudited total assets of approximately RMB909.4 million. Moreover, the Enlarged Group would be better capitalised as discussed above.

As mentioned above, the executive Directors are of the opinion that, after taking into account the financial resources available to the Group including the available credit facilities, the internally generated funds of the Group and the cash flow impact of the Acquisition, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of the Circular. As such, we are of the view that the increase in the total borrowings is acceptable.

7. Dilution

As set out under the paragraph headed "Shareholding Structure of the Company" in the Letter from the Board, the equity interest of the existing public Shareholders in the Company will be diluted from approximately 37.57% as at the Latest Practicable Date to approximately 7.22% immediately upon the issue of the Consideration Shares.

Having taken into account, (i) the factors as set out under paragraph headed "5. Reasons for and the benefits of the Acquisition" in this letter and that the issue of Consideration Shares will facilitate the enhancement of the future prospect of the Group; (ii) the terms of the Consideration Shares, in particular, the Issue Price at HK$0.70, are at a substantial premium to the audited consolidated net assets value per Share of approximately HK$0.09 as at 31 March 2013; (iii) UHL Group has demonstrated a profitable track record which is expected to significantly turn around the Group's result after Completion; and (iv) the capital base of the Company will be substantially enlarged upon the issue of the Consideration Shares, we concur with the executive Directors' view that the dilution on the shareholding interests of the Independent Shareholders to be acceptable.

IV. RECOMMENDATION

Having considered the factors and analysis set out in this letter, in particular,

(i) the Issue Price represents a significant premium of approximately HK$0.61 (or approximately 8 times) over the audited consolidated net assets value per Share of approximately HK$0.09 as at 31 March 2013;

(ii) our analysis on principal terms of the UHL SPA as set out under paragraph headed "5. principal terms of the UHL SPA";

(iii) the reasons for and benefits of the Acquisition as set out under paragraph headed "4. Reasons for and benefits of the Acquisition"; and

(iv) the expected financial effects as set out under paragraph headed "6. Expected financial effects of the Acquisition to the Group" in this letter,

we consider that (i) the terms of the UHL SPA and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and its Shareholders as a whole, even though the Acquisition does not fall within the ordinary course of business of the Company.

Accordingly, we would advise the Independent Board Committee to recommend the Independent Shareholders to vote for the Acquisition and the transactions contemplated thereunder at the SGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited

Alexander Tai
Managing Director
Head of Corporate Finance

UHL was incorporated in the BVI on 7 January 2011 and has been the registered owner of YL International since its incorporation in Hong Kong on 11 July 2011. Save for its 100% equity interests in YL International, UHL has not carried out other significant business activities since its incorporation.

In December 2011, YL International subscribed for the registered capital of Yuanheng Gas (the "**Capital Injection**") for RMB193.965 million. Following completion of the Capital Injection, Yuanheng Gas was owned as to 96.5% by YL International. In September 2012, YL International further acquired 3.5% shareholding of Yuanheng Gas from third parties independent to the Company and its connected persons at a total consideration of approximately RMB6.4 million. Upon completion of such acquisition, Yuanheng Gas became a wholly-owned subsidiary of YL International. On 17 September 2012, a shareholder resolution was passed in the shareholders meeting of Yuanheng Gas pursuant to which YL International should further contribute registered capital of RMB756,000,000 to Yuanheng Gas within two years after the approval by Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality ("**BOFTEC**"). In December 2012, Yuanheng Gas obtained the approval from BOFTEC for the increase of its registered capital by RMB756,000,000. YL International had made capital injection of RMB151.2 million in cash in December 2012. As at the Latest Practical Date, the outstanding balance of such capital contribution by YL International is approximately RMB605.4 million. Upon Completion, the Company shall be responsible for the capital contribution. Notwithstanding, the Company, through Yuanheng Gas could, (i) file an application to BOFTEC for an extension of the deadline for the abovementioned increase in the registered capital from December 2014 to December 2016; or (ii) subject to the review of the business development plan of UHL Group following Completion and in the event that the funding is no longer required, file an application to BOFTEC for reduction of the registered capital of Yuanheng Gas. As advised by the PRC Legal Adviser, there is no legal obstacle for Yuanheng Gas to obtain approval from BOFTEC for either the extension of the deadline or for the reduction of its registered capital. As at the Latest Practicable Date, the Company was informed that Yuanheng Gas intends to file the application for extension of the abovementioned deadline. The Company will finance the aforesaid capital contribution by internal resources of the Enlarged Group.

Yuanheng Gas was established in the PRC on 6 July 2007 and since its incorporation, Yuanheng Gas, through its associate companies, has been engaged in the sales and trading of LNG in the PRC. Yuanheng Gas then further increased its investments in the operation of natural gas processing in October 2010 by acquiring further equity interests in 達州市匯鑫能源有限公司 (Dazhou Huixin Energy Co., Ltd.*, "**Dazhou Huixin**") and 鄂爾多斯市星星能源有限公司 (Erdos Xingxing Energy Co., Ltd.*, "**Erdos Xingxing**") (the "**2010 Acquisition**"), each of which were an 30% owned associate company to Yuanheng Gas, respectively from third parties independent to the Company and its connected persons at the total consideration of RMB147 million. Following the completion of the 2010 Acquisition, each of Dazhou Huixin and Erdos Xingxing was owned as to 69% by Yuanheng Gas and became a non wholly-owned subsidiary of Yuanheng Gas since then.

* *For identification purposes only*

In June 2011, Yuanheng Gas Group ventured into the downstream sales of LNG through its collaboration with 貴州燃氣(集團)有限公司 (Guizhou Gas (Group) Co., Ltd.*, "**Guizhou Gas**") and established Huaheng Energy, in which Yuanheng Gas, Dazhou Huixin and Guizhou Gas each holds 49%, 1% and 50% shareholding respectively. The registered capital of Huaheng Energy is RMB40 million.

In June 2012, Yuanheng Gas Group further expanded its LNG sales channel and cooperate with 菏澤交通集團總公司 (Heze Transportation Group Co., Ltd.*, "**Heze Group**") and 山東宏智交通投資開發有限公司 (Shangdong Hongzhi Transportation Development Co., Ltd.*, "**Shangdong Hongzhi**") by subscription of registered capital of Heze Lujie for RMB15.3 million and became the 51% shareholder of Heze Lujie.

Yuanheng Gas established Guizhou Huayuan in June 2013. The registered capital of Guizhou Huayuan is RMB22.8 million. In July 2013, Guizhou Huayuan cooperated with Guizhou Gas and 貴州農金投資有限公司 (Guizhou Agricultural Gold Investment Co., Ltd.*, "**Guizhou Agricultural**"), and established Guizhou Gas Pipelines, in which Guizhou Huayuan holds 20% shareholding. The registered capital of Guizhou Gas Pipelines is RMB150 million.

As at 11 January 2013, Champion Ever advanced loans of HK$240,000,000 and RMB151,200,000 (collectively, the "**Loans**") to the Vendor with security interest created over the entire equity interest in the Vendor and UHL (the "**Security Interest**"). As the Vendor was unable to repay the loans, the former sole owner of the Vendor, the ("**Former Vendor Shareholder**"), the Vendor and Champion Ever entered into a settlement agreement dated 11 January 2013 (the "**Settlement Agreement**") pursuant to which the parties agreed to settle all the Loans through (i) the disposal of the entire equity interest of the Vendor by the Former Vendor Shareholder to Champion Ever at a consideration of HK$800,000; and (ii) all outstanding Loans (including accrued interests) were capitalised as equity interests of the Vendor. As confirmed by Mr. Wang, save for the advancement of the Loans to the Vendor and the Settlement Agreement, there is no other business or personal relationship between Mr. Wang and the Former Vendor Shareholder as at the Latest Practicable Date.

On 8 October 2013, Champion Ever transferred approximately 37.11% equity interests of the Vendor to 17 strategic investors (the Vendor's Shareholder other than Champion Ever, the "**Investors**") at the total consideration of US$94,520,758 (equivalent to approximately HK$735,371,509). Mr. Wang, the beneficial owner of Champion Ever, informed that he has come to know the Investors in his personal capacity through different business and social occasions and have established long relationships with the various parties for more than 10 years. Some of the Investors are business associates who are doing businesses in the energy sector in the PRC, whilst some of them are financial investors interested in investing in the energy sector in the PRC.

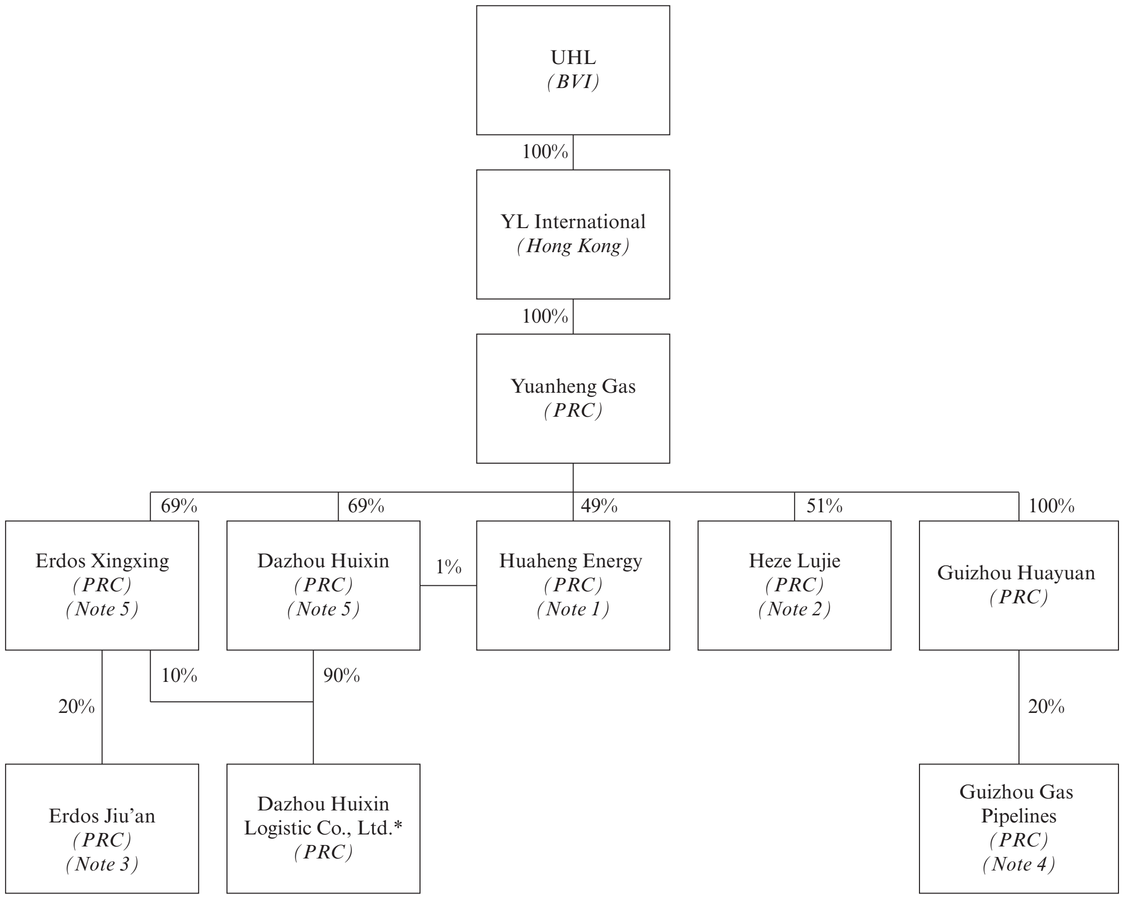
As mentioned above, Champion Ever advanced the Loans to the Vendor with Security Interest. According to Mr. Wang, the Vendor had, in mid-2012, indicated to him on the strong possibility that the Loans (or interest therein) cannot be serviced or settled when fall due. Accordingly, Mr. Wang expected that the Security Interest would likely be applied for settlement against the Loans (and the accrued interests) pursuant to the terms of the Loans.

* *For identification purposes only*

In this respect, as Mr. Wang is optimistic towards the business of UHL Group and has the intention to continue its business, he has therefore started, in mid-2012 to reach out to its business associates/partners in the PRC energy/LNG industry (including but not limited to, the Investors) and invited those interested to jointly invest in UHL should the Security Interests be crystallised.

In the fourth quarter of 2012, Mr. Wang reached verbal agreements with each of the Investors pursuant to which the respective Investors would acquire from Champion Ever in aggregate of approximately 37.11% equity interests of UHL (collectively, the "**MI Transfers**") at an aggregate consideration of approximately US$94,520,758 (equivalent to approximately HK$735,371,509, collectively, the "**MI Consideration**"). The MI Consideration was arrived at based on arm's length negotiation between the parties in late 2012. Following completion of the Settlement Agreement in early 2013, Mr. Wang and the Investors, through the Vendor's Shareholders, proceeded with the execution of the MI Transfer and completed the transaction(s) on 8 October 2013. In such regard, and if based on the MI Consideration and the net profit attributable to owners of Yuanheng Gas Group of approximately RMB51.8 million (equivalent to approximately HK$65.8 million) for the year ended 31 December 2011 and approximately RMB64.2 million (equivalent to approximately HK$81.5 million) for the year ended 31 December 2012, the MI Consideration implied a P/E of Yuanheng Gas Group of approximately 30.1 times and 24.3 times respectively. The Board is of the view that the difference between the MI Consideration and the Consideration was therefore mainly due to the fact that they were agreed at a different point of time with reference to the earnings of UHL Group/Yuanheng Gas Group for different time periods.

The following diagram illustrates the group structure of UHL Group as at the Latest Practicable Date:



Note:

1. Huaheng Energy is owned as to 50% by Guizhou Gas. Huaheng Energy is a non wholly-owned subsidiary of UHL and the result of which is consolidated into the accounts of UHL. Guizhou Gas is a state-owned enterprise and the leading gas corporation in Guizhou Province. It is also the largest operator of intercity gas pipeline networks in Guizhou Province.

2. Heze Lujie is owned as to 38% by Heze Group and as to 11% by Shangdong Hongzhi. Heze Lujie is a non wholly-owned subsidiary of UHL and the result of which is consolidated into the accounts of UHL. Heze Group is a state-owned enterprise and one of the largest passenger transportation corporations in Shangdong Province. Shangdong Hongzhi is also a state-owned enterprise and is engaged in the development and management of road transport infrastructure (including LNG fueling stations) in Shangdong Province.

3. 鄂爾多斯市九安喜順物流有限公司 (Erdos Jiu'an XiShun Logistics Co., Ltd.*, "**Erdos Jiu'an**") is owned as to 70% by 鄂爾多斯市九安商貿有限公司 (Erdos Jiu'an Commerce Co., Ltd*, "**Erdos Commerce**") and as to 10% by 深圳市喜順實業發展有限公司 (Shenzhen XiShun Development Co., Ltd*, "**Shenzhen Development**"). Erdos Jiu'an is owned as an associate of UHL.

* *for identification purposes only*

4. Guizhou Gas Pipelines is incorporated on 25 July 2013 with remaining shareholding interests owned by Guizhou Gas (51%) and Guizhou Agricultural (29%) respectively. Guizhou Gas Pipelines is an associate of UHL.

5. Each of Erdos Xingxing and Dazhou Huixin is owned as to 31% by Mr. Wu Lexian ("**Mr. Wu**").

6. As Guizhou Gas is a substantial shareholder of Huaheng Energy which will become a non wholly-owned subsidiary of the Company following Completion, Guizhou Gas is regarded as a connected person of the Company pursuant to the Listing Rules upon Completion. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of Mr. Wu, Heze Group, Shangdong Hongzhi, Guizhou Gas, Erdos Commerce, Shenzhen Development and Guizhou Agricultural are third parties independent of the Company and its connected persons in accordance with the Listing Rules.

OVERVIEW

UHL is an investment holding company and was incorporated in the BVI with limited liability. Save for its 100% equity interests in YL International which in turn is the registered owner of Yuanheng Gas, UHL has not carried out other significant business activities and has not recorded any turnover since its incorporation on 7 January 2011. Save for minimal administrative expenses incurred and the shareholder's loan from its holding company, UHL does not have other significant assets and liabilities as at 31 December 2013.

YL International is the registered owner of Yuanheng Gas. It recognised a gain of approximately HK$155,000 for the year ended 31 December 2013 from investment relating to the trading of oil future contracts. Save for the aforesaid and its investment in Yuanheng Gas, YL International has not carried out other significant business activities since its incorporation on 11 July 2011. Save for minimal administrative expenses incurred and the shareholder's loan from UHL, YL International did not have other significant assets and liabilities as at 31 December 2013.

Accordingly, the financial information of each of UHL and YL International is immaterial to UHL Group and the principal business operations of UHL Group are carried out entirely through Yuanheng Gas Group.

Yuanheng Gas Group is principally engaged in processing, distribution, sales, trading and transportation of LNG and other auxiliary business in the PRC. Yuanheng Gas Group liquefies the natural gas into LNG and thereafter sell/supply to wholesale and/or retail customers. For supply to commercial and industrial users, LNG satellite stations and LNG fueling station are built and constructed for the purpose of storage and distribution of LNG. Yuanheng Gas Group is also involved in LNG trading business.

As at the Latest Practicable Date, Yuanheng Gas, through Dazhou Huixin and Erdos Xingxing (both are non-wholly owned subsidiaries of Yuanheng Gas), operates two natural gas liquefaction plants that are situated in Sichuan Province (the "**Huixin Plant**") and Inner Mongolia Autonomous Region (the "**Erdos Plant**") respectively. The liquefaction plants are each designed with production capacity of 200,000 tonnes of LNG per annum with daily processing capacity of 1 million m^3 of natural gas respectively. At present, Yuanheng Gas Group possesses combined annual production capacity of up to 400,000 tonnes of LNG per annum.

As at the Latest Practicable Date, Huaheng Energy operates two LNG satellite stations in Guizhou Province to sell and distribute LNG to a widespread of white wine distilleries in the region, while Heze Lujie operates one LNG fueling station in Shangdong Province to supply LNG to transportation corporations and other LNG commercial vehicles. The transportations of LNG from Huixin Plant and Erdos Plant to the LNG satellite stations and the LNG fueling station are carried out mainly through the freight teams managed by Erdos Jiu'an and 達州市匯鑫物流有限公司 (Dazhou Huixin Logistics Co., Ltd.*, "**Huixin Logistics**"). As at the Latest Practicable Date, Erdos Jiu'an and Huixin Logistics (both are logistics companies in which Yuanheng Gas holds interests) manage 50 LNG trucks in total.

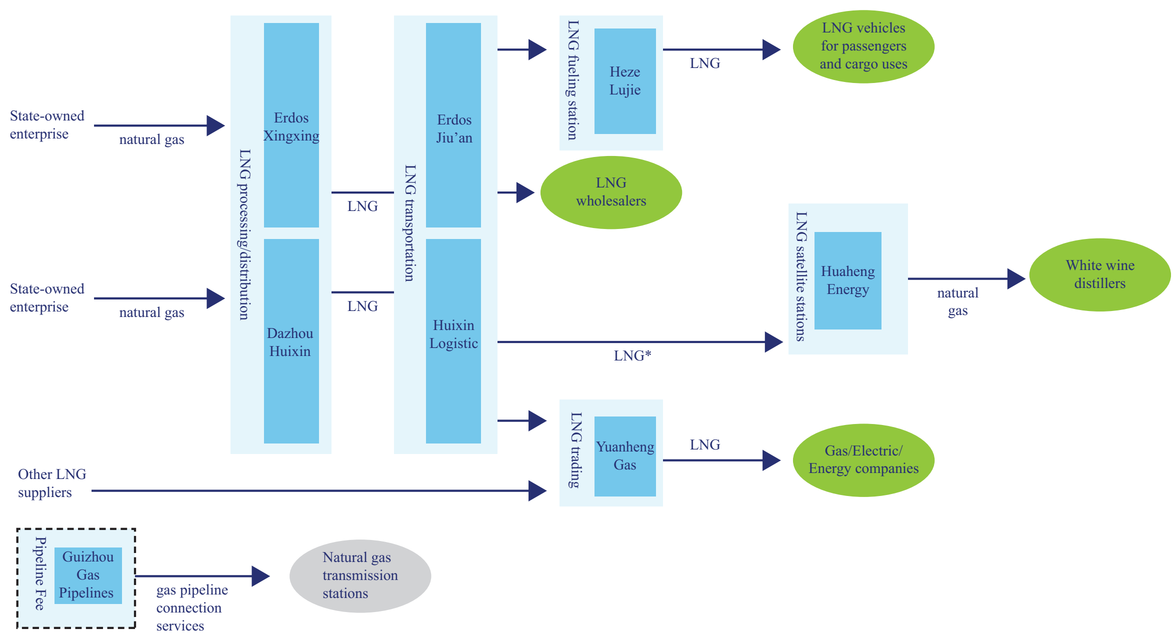
* *for identification purposes only*

Yuanheng Gas, through Guizhou Huayuan, its wholly-owned subsidiary, collaborates with Guizhou Gas and Guizhou Agricultural to establish Guizhou Gas Pipelines and intends to expand its footage into the operation, construction and management of pipelined gas in Guizhou Province. Guizhou Gas Pipelines was established on 25 July 2013 and is owned as to 20% by Guizhou Huayuan. The registered capital of Guizhou Gas Pipelines is RMB150 million. Guizhou Huayuan had paid its portion of the registered capital of RMB30 million. It is expected that Guizhou Gas Pipelines will start to generate income for Yuanheng Gas Group in the fourth quarter of 2014.

As provided by the management of UHL Group, save for the exclusive right to operate and supply pipelined gas in Renhuai (details of which please refer to sub-paragraph headed "Chinese white wine distillers — LNG satellite stations" below), it did not own any intellectual properties nor have any exclusive rights granted from local government as at the Latest Practicable Date.

BUSINESS MODEL

Set out below is the simplified business flow chart of Yuanheng Gas Group for illustration purpose only:



* *LNG is supplied to Huaheng Energy through Guizhou Gas.*

Production of LNG

Natural gas liquefaction plants

As at the Latest Practicable Date, Dazhou Huixin and Erdos Xingxing operate Huixin Plant and Erdos Plant respectively. The liquefaction plants, each located in Sichuan Province and Inner Mongolia Autonomous Region, were designed, constructed and commissioned by internationally renowned engineering firms, and commenced commercial production in the end of 2008 and mid 2010 respectively.

As mentioned above, the designed production capacity of each of Huixin Plant and Erdos Plant are 200,000 tonnes of LNG per annum with daily processing capacity of 1 million m^3 of natural gas respectively. Details of the utilisation rate and the gasification ratio of each plant are set out as follows:

	Average utilisation rate		
	12 months ended 31 December 2012	12 months ended 31 December 2013	Average gasification ratio per tonne
Huixin Plant	64%	76%	1,495m^3
Erdos Plant	82%	93%	1,443m^3

Location of Huixin Plant and Erdos Plant

Huixin Plant and Erdos Plant are located close to Sichuan Basin and Erdos Basin respectively, where natural gas deposits are found.

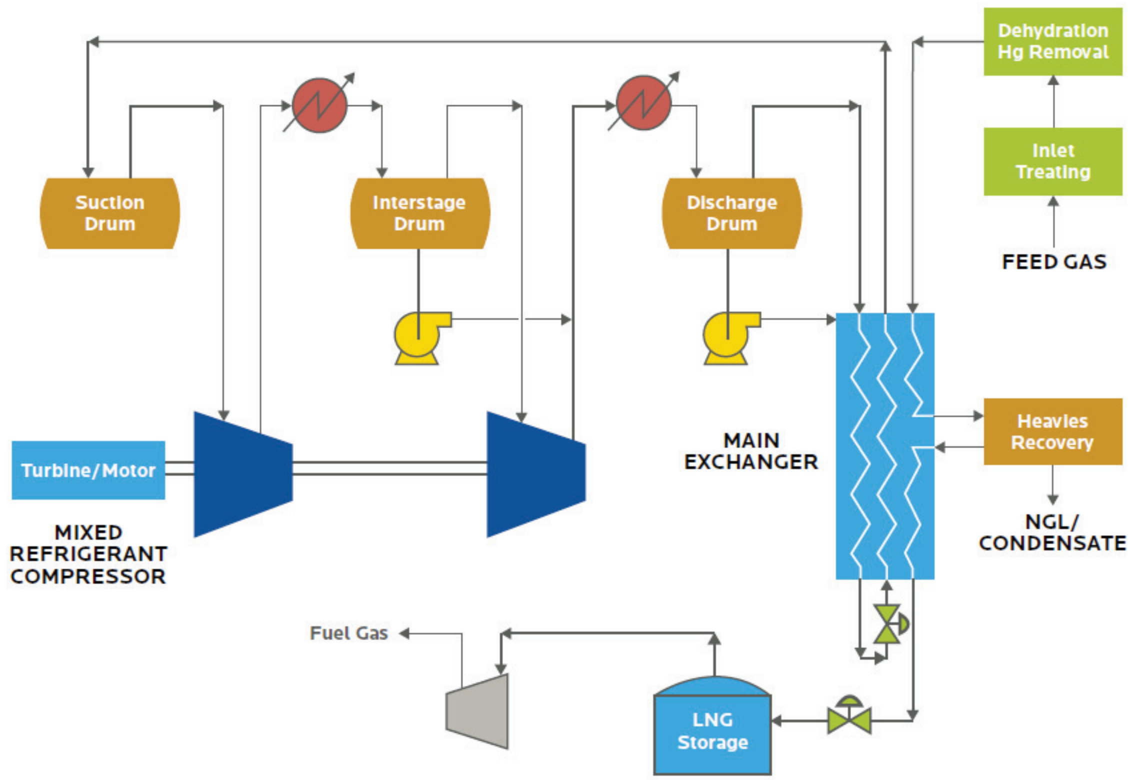
Huixin Plant

Erdos Plant

Liquefaction process

For the liquefaction of natural gas, both Huixin Plant and Erdos Plant apply the single-mixed refrigerant process ("**Refrigerant Process**") developed by one of the world's leading LNG technology provider. Refrigerant Process is a cost-effective design that could be applied to a broad range of natural gas liquefaction facilities. The liquefaction facilities of Huixin Plant and Erdos Plant were designed and built by two well-known LNG technology and engineering solution providers, with imported facilities and advanced technology to ensure a smooth production and environmentally responsible natural gas liquefaction process. They also provided comprehensive technical support services in the areas of project management, engineering design, equipment procurement, construction and trial operation to Erdos Plant and Huixin Plant.

The following flow chart provides a general overview of the Refrigerant Process:



Natural gas entering a liquefaction plant must be pre-treated to remove impurities such as water, acid gases (e.g. carbon dioxide and hydrogen sulfide) and mercury and any other impurities that may solidify when natural gas is refrigerated. After the pre-treated section, mixed refrigerant, which normally consists of nitrogen, ethane, propane, butane and pentane, is added to the liquefaction plant to refrigerate natural gas to the temperature below its critical condition (natural gas has a critical point at -80 to -90℃). After the liquefaction process, natural gas is cooled to -162℃ and transformed into liquid state, and its volume is reduced by a factor of 600 times. Such significant reduction of volume makes LNG economically feasible to be transported by trucks and not subject to the limitation of pipeline transmission.

Purchases

The main categories of purchases made by Yuanheng Gas Group are natural gas, pipes and consumables (mainly the equipment tools and parts), in which natural gas took up over 60% of the total cost of sales of Yuanheng Gas Group for the three years ended 31 December 2013 (the "**Review Period**"). All such materials were sourced from independent third parties during the Review Period.

Supply of natural gas

The supply of natural gas for industrial usage in the PRC is subject to government planning. Each of Dazhou Huixin and Erdos Xingxing has obtained natural gas usage quota of 300 million m^3 per year ("**Natural Gas Quota**") granted by the government of Dazhou City and 國家發展和改革委員會 (State Development Planning Commission, "**SDPC**") of Inner Mongolia Autonomous Region respectively to secure a sufficient usage quota for the LNG production in Huixin Plant and Erdos Plant. The Natural Gas Quota for Dazhou Huixin was granted by the government of Dazhou City in April 2006 for a term of twenty years. The Natural Gas Quota for Erdos Xingxing was granted by the SDPC of Inner Mongolia Autonomous Region in June 2005 and shall remain in effect as long as Erdos Xingxing is in operation. Since Dazhou Huixin is one of the key enterprises and tax contributors to Dazhou City, and Dazhou Huixin has been in compliance with all the applicable laws and regulations for its operation, the management expects that there is no foreseeable difficulty for Dazhou Huixin to renew the Natural Gas Quota which will expire in 2026.

As the exploration and extraction of natural gas in Sichuan Basin and Erdos Basin are dominated by the two state-owned enterprises (the "**SOE**"), following the grant of the Natural Gas Quota, each of Dazhou Huixin and Erdos Xingxing entered into natural gas supply agreements with the SOE respectively to secure the supply of natural gas.

The purchase price of natural gas is agreed between Yuanheng Gas Group and the SOE, with reference to, among other things, the wellhead price, transportation distance, purification fees and the supplier's operating costs. The wellhead price of natural gas is determined by the SOE and is subject to approval by SDPC.

Dazhou Huixin and one of the SOE (the "**SOE1**") entered into a strategic agreement on 1 October 2012 pursuant to which the SOE1 agreed to supply natural gas to Huixin Plant for a term of 6 years starting from the date of the strategic agreement. The gas pipelines connected between Huixin Plant and the SOE1 are owned by the SOE1 and the industrial park where Huixin Plant is situated in. Hence, connection fees are charged by the SOE1 and the industrial park respectively.

On 31 December 2013, Erdos Xingxing entered into a natural gas supply agreement with another SOE (the "**SOE2**") for a term up to 31 December 2014. As advised by the management of Erdos Xingxing, the natural gas supply agreement with the SOE2 is renewable on annual basis. As Erdos Xingxing has maintained a long term business relationship with the SOE2 since 2008, the management of Yuanheng Gas Group expects that there is no foreseeable difficulty to renew the natural gas supply agreement in the future. The gas pipelines connected between Erdos Plant and around the SOE2's gas wells are owned by Erdos Xingxing, and therefore no connection fee is charged.

Payment for natural gas by Yuanheng Gas Group to the SOE2 is made monthly in advance either in the form of cash or bills payable and is based on the estimated purchase volume submitted quarterly by Yuanheng Gas Group. Payment to SOE1 on the other hand, is made by three instalments per month and is based on the next day purchase volume estimated by Yuanheng Gas Group. For each of the three financial years ended 31 December 2013, the purchase cost of gas accounted for 63.3%, 63.6% and 54.5% of Yuanheng Gas Group's cost of sales, respectively.

Pipes and consumables

Yuanheng Gas Group purchases pipes of various diameters and thicknesses for the installation of pipeline network connected among the LNG satellite stations and the white wine distillery factories. Pipes are purchased domestically and payments are settled in RMB. Yuanheng Gas Group also purchases the equipment tools and parts for liquefaction facilities, both domestically and abroad. Payments for the parts purchased are primarily settled in RMB (in the case of domestic purchases) and, to a lesser extent, US$ (in the case of overseas purchases).

Transportation of LNG

Yuanheng Gas Group's major customers are situated in South China and East China while Huixin Plant and Erdos Plant are located in Southwest China and Northwest China. A timely and reliable freight linkage between the LNG plants and the customers is essential to facilitate Yuanheng Gas Group's sales and distribution of LNG.

Save and except for customers who prefer to arrange their own delivery of the LNG, the transportations of LNG from Huixin Plant and Erdos Plant to their customers, including the LNG satellite stations and the LNG fueling station, are carried out mainly through the freight teams managed by Erdos Jiu'an and Huixin Logistics.

Huixin Logistic, an indirect wholly owned subsidiary of Yuanheng Gas, commenced business in 2011 and is mainly responsible for the transportation of LNG from Dazhou Huixin to its customers, including the LNG satellite stations situated in Guizhou Province. As at the Latest Practicable Date, Huixin Logistic employed approximately 37 drivers and operated approximately 17 LNG trucks.

The transportation of LNG from Erdos Xingxing to LNG fueling station situated in Shangdong Province and other customers is carried out by Erdos Jiu'an, an associate company of Yuanheng Gas Group in which Erdos Xingxing holds 20% interests. Erdos Jiu'an commenced business in 2007 and employed approximately 70 drivers and operated approximately 33 LNG trucks as at the Latest Practicable Date.

Sales and marketing

Yuanheng Gas is responsible for Yuanheng Gas Group's overall business development and strategic planning. Each of Dazhou Huixin, Erdos Xingxing, Huaheng Energy and Heze Lujie has its own sales and marketing team which works together with Yuanheng Gas' team to formulate appropriate business plans with reference to the specific situation and needs of each place of operation. Recognising its own competitive advantages, Yuanheng Gas Group seeks to expand its sales and distribution channels through forming strategic alliances with well-established industry players (mainly state-owned enterprises) such that Yuanheng Gas Group could leverage on its strategic partners' business network and customer bases while has its marketing costs and operation risk mitigated. Yuanheng Gas Group's succeed in penetrating the natural gas markets in Guizhou Province and Shangdong Province are the best example of such strategic alliance.

During the Review Period, most of the LNG produced by Yuanheng Gas Group is distributed to the domestic wholesale customers directly from Dazhou Huixin and Erdos Xingxing, whilst sales to retail customers are made through Huaheng Energy (LNG satellite stations in Renhuai, Guizhou Province) and Heze Lujie (LNG fueling station in Shangdong Province). In addition, Yuanheng Gas Group engages in trading of LNG with energy and/or gas enterprises and/or other gas trading companies in the PRC.

Distribution of LNG to wholesale customers

Yuanheng Gas Group's wholesale customers are mainly gas corporations which purchase LNG from Yuanheng Gas Group and resell to the end customers for industrial or residential purpose(s). Long term sales and framework agreements are entered into with several wholesale customers, for sale of LNG of around 200,000 to 400,000 cubic metres per day (on yearly 330 days basis), for a period ranges from eight to ten years. Pursuant to the long-term sales and framework agreements, prices will be determined and adjusted with reference to the changes in costs of natural gas, processing cost and market price of LNG during the contract period. Wholesale customers are usually required to make a down payment to Yuanheng Gas Group after signing of the LNG sales agreements and make payment in advance for purchase. The down payment is often regarded as the deposit, while the remaining balance is accounted as payment in advance for LNG to be supplied in the following months. For new and short-term customers, Yuanheng Gas Group requires full payment prior to delivery.

Most of Yuanheng Gas Group's wholesale customers send trucks to Huixin Plant or Erdos Plant to pick up LNG at their own cost. Alternatively, wholesale customers could request for direct delivery of LNG to a designated place. The LNG transportation will be taken care by Huixin Logistics or Erdos Jiu'an and the delivery cost will be borne by the customers.

Sales of LNG to retail customers

Yuanheng Gas Group's retail customers can be classified into two groups which are (i) Chinese white wine distillers; and (ii) commercial users such as transportation companies.

Chinese white wine distillers — LNG satellite stations

The Chishui River (赤水河, literally the "Red Water River"), is known as the origin of dozens of renowns excellent white wine in the PRC. Currently, there are over 200 white wine distilleries clusters in the center of Renhuai in Guizhou Province where the Chishui River lies, along with thousands of small white wine distilleries.

Guizhou Provincial Party Committee and Provincial Government attach great importance to the development of the liquor industry in Renhuai and have expressly established the "Three Buildings" strategy, i.e., "building Maotai into the world's leading distilled liquor brand", "building Maotai Town into the heart of Chinese spirits", and "building Renhuai into a wine culture metropolis", to form the situation that "in the next decade, Guizhou will become the center of Chinese spirits market while Renhuai will become the center of Guizhou liquor market".

On 29 July 2011, the "Guizhou Province Chishui River Basin Protection Policy"《貴州省赤水河流域保護條例》 was released by the government of Guizhou Province with an aim to preserve and protect the water resources in Chishui River basin. As set out in the policy, construction of industrial projects with high energy consumption or high pollution should be restricted and prohibited, while development of clean energy, water-saving, energy-saving industrial projects with low pollution and resource utilisation should be encouraged. In conjunction with the abovesaid policy, the Guizhou government has encouraged white wine distilleries to replace coal energy with that of natural gas. In addition, the government has also commenced the development of 仁懷名酒工業園 (Renhuai Famous Wine Industrial Park*), where LNG/natural gas will be supplied and used for all white wine distilleries within the industrial park. Renhuai Famous Wine Industrial Park, the only large "Soy Fragrance Baijiu" (醬香型白酒) industrial park in the PRC, is planned with a production scale of 270,000 tons per annum.

In the above regards, Yuanheng Gas Group has sought to collaborate with Guizhou Gas, who was granted by the local governments exclusive right for the supply of natural gas (and LNG) in certain cities (including Renhuai) in Guizhou Province ("**Exclusive Right**"), to set up Huaheng Energy for the sale and supply of natural gas to Renhuai Famous Wine Industrial Park and other white wine distilleries in the region. Pursuant to the exclusive operation agreement entered into between the government of Renhuai and Guizhou Gas dated 30 January 2007, Guizhou Gas was granted the exclusive right to operate and supply pipelined gas in Renhuai for a term of 30 years from 2007. Upon establishment of Huaheng Energy, Yuanheng Gas, Dazhou Huixin and Guizhou Gas entered into a shareholders' agreement in relation to, among other things, Guizhou Gas extended its Exclusive Right to supply natural gas in Renhuai to Huaheng Energy. Based on the shareholder's agreement, profits of Huaheng Energy available for distribution shall be distributed to Yuanheng Gas, Dazhou Huixin and Guizhou Gas in proportion to their respective share of equity interest. As at the Latest Practicable Date, Huaheng Energy operates two LNG satellite stations which are located in Renhuai Famous Wine Industrial Park and 貴州茅台酒廠 (Kweichow Moutai Distilleries*) in Renhuai, for the storage and distribution of natural gas to the white wine distilleries.

* *for identification purpose only*

Huaheng Energy is a licensed natural gas dealer for supply and sell of natural gas. Owing to the Exclusive Right of Guizhou Gas, all LNG/natural gas sold by Huaheng Energy was sourced through Guizhou Gas from its gas suppliers, including Dazhou Huixin (the "**Guizhou Gas Supply Arrangement**"). The delivery of LNG from Dazhou Huixin to the LNG satellite stations of Huaheng Energy are mainly carried out by Huixin Logistics.

Locations of Yuanheng Gas Group's LNG satellite stations

LNG satellite station

The two satellite stations in Renhuai have 14 tanks with LNG storage capacity of up to 1,300,000 m^3. LNG is re-gasified at the LNG satellite stations and transmitted through the branch pipelines and customer pipelines, which were paved and operated by Huaheng Energy, directly to the white wine distillers. The connection costs of branch pipelines and customer pipelines were borne by Huaheng Energy. As at the Latest Practicable Date, the two LNG satellite stations are able to supply 400,000m^3 natural gas to the white wine distillery factories on daily basis. To cope with the growing demand of LNG from white wine distillers, Huaheng Energy plans to further construct two LNG satellite stations in Guizhou Province to increase the daily gas supply capacity from approximately 400,000 m^3 as at the Latest Practicable Date to approximately 1,000,000 m^3 by the end of 2014.

As at the Latest Practicable Date, Huaheng Energy has entered into supply contracts with eighteen white wine distillers (including 貴州茅臺酒股份有限公司 (Kweichow Moutai Co., Ltd.*, "**Kweichow Moutai**"), 貴州省仁懷市茅臺鎮大唐酒業有限公司 (Guizhou Renhuai Maotai Town Da Tang Jiu Ye Co., Ltd.*) and 貴州省仁懷市茅臺鎮國服酒業有限公司 (Guizhou Renhuai Maotai Town Guo Fu Jiu Ye Co., Ltd.*)) for the supply of natural gas to their factories. Among which the gas supply agreement with Kweichow Moutai dated 17 September 2012 enables Huaheng Energy to supply natural gas to Kweichow Moutai exclusively. Deposit was made by Kweichow Moutai to Huaheng Energy after signing of the agreement and the actual gas usage charges are payable monthly by the customers in arrears.

* *for identification purpose only*

Commercial users — LNG fueling station

Local public transportation companies and LNG vehicle users in Shangdong Province are also a group of retail customers of Yuanheng Gas Group. The local government in Shangdong Province encourages the public transportation company to use more environmentally friendly energy such as natural gas as an alternative to fuel gas. Seizing the opportunity, Yuanheng Gas Group collaborated with Heze Group and Shangdong Hongzhi, and later, through Yuanheng Gas, subscribed for registered capital of Heze Lujie to start LNG sales business in Shangdong Province. As at the Latest Practicable Date, Heze Lujie operates a LNG fueling station which is designated for serving LNG vehicles available in Shangdong Province including but not limited to those operated by Heze Group and Shangdong Hongzhi (the "**Local Partners**"). Heze Lujie used to assist one of its shareholder, Heze Group, to manage another LNG fueling station in return for a management fee in the district of Cao (曹縣). In December 2013, both parties decided that it is not economically beneficial for Heze Lujie to carry out such management and that the same should be handed over to Heze Group. The management fee received from this fueling station by Yuanheng Gas Group was minimal and formed a rather immaterial portion of income of Yuanheng Gas Group. As such, the cease of the management of the aforesaid LNG fueling station in the district of Cao has no material financial impact to Yuanheng Gas Group.

LNG fueling station

LNG to the LNG fueling station is mostly supplied by Erdos Xingxing. Erdos Jiu'an delivers LNG from Erdos Plant to the LNG fueling station where LNG is refueled directly into vehicles. Fueling charge is fully collected in cash once the fueling is completed. For the transportation vehicles operated by the Local Partners, corporate fueling card is used by each driver and the fueling charge is settled by advanced payment between Heze Lujie and the Local Partners.

LNG trading

Yuanheng Gas Group has commenced its LNG trading business since November 2011. Trading customers are mainly energy and/or gas enterprises and/or other gas trading companies in the PRC. Yuanheng Gas Group obtains orders from customers (mostly in the PRC) for supply of natural gas and/or LNG and sources the same from Dazhou Huixin, Erdos Xingxing or other oil majors and/or other trading companies in the PRC. Each buy or sell side agreement is entered into on a shipment by shipment basis. Further, Yuanheng Gas Group will also, subject to the agreed terms of shipping arrangement, arrange for, amongst other things, loading, transportation and etc. Yuanheng Gas Group requires full payment prior to delivery for all of its trading transactions.

Yuanheng Gas Group bears the risk on the gross amount for each contract it entered into, and trades each contract at its own risk. Those contracts are not entered into on indent basis and the revenue and cost are recognised on gross basis.

Pricing

Distribution of LNG

Yuanheng Gas Group arrives at the distribution prices of LNG after taking into consideration the costs of natural gas, processing cost of LNG, prevailing market price of LNG, the price of substitute products and the purchasing power of wholesale customers.

Each of Dazhou Huixin and Erdos Xingxing has signed long-term sales and framework agreements with its major customers pursuant to which the LNG distribution prices are subject to adjustments with reference to the changes in costs of natural gas, processing cost and market price of LNG during the contract period. Each of Erdos Xingxing and Dazhou Huixin will discuss and negotiate with its customers when there is a need for price adjustment and will issue a formal notice to state the agreed adjusted distribution price and the effective date of such adjustment.

Sales of LNG/natural gas

The retail prices of natural gas through the LNG satellite stations and LNG through the LNG fueling station are determined after a detailed analysis of factors such as the costs of natural gas, estimated capital expenditure, number of users, the growth in penetration rates and the affordability of the customers. Retail prices of LNG/natural gas (excluding LNG/natural gas sold to industrial users) are governed under the local Commodity Price Bureau (物價局). Future price adjustments are also subject to the same approval process. The local Commodity Price Bureau may consider factors such as increases in the wholesale price of natural gas or operating expenses, inflation, additional capital expenditure, and whether the profit margin remains fair and reasonable before approving any price adjustments.

LNG trading

LNG trading price was primarily determined by the prevailing market price of natural gas, as well as the commercial negotiation with customers for long-term cooperation and mutual benefits.

Relationship with major customers and suppliers

Set out below is the list of top five customers and suppliers of Yuanheng Gas Group and their respective percentage of total revenue and total cost of sales ("**COS**") to Yuanheng Gas Group during the Review Period:

Top five external customers

For year ended 31 December 2013

LNG Processing				LNG Trading	
Distribution		Sales			
Name	**% of Revenue**	**Name**	**% of Revenue**	**Name**	**% of Revenue**
Customer A	13.1	Customer E	3.9	貴州天然氣有限公司 (Guizhou Natural Gas Limited*, "**Guizhou Natural Gas**") *(Note 4)*	12.1
Customer B	9.8	Customer F	0.8	Customer I	4.9
Guangzhou Circle *(Note 1)*	4.8	貴州燃氣(集團)桐梓縣燃氣有限公司 (Guizhou Gas (Group) Tongzi Gas Limited*, "**Tongzi Gas**") *(Note 4)*	0.5	Customer J	1.7
Customer C	3.3	Customer G	0.5	Customer K	1.3
Customer D	2.6	Customer H	0.3	Customer B	1.1
Total	33.6	Total	6.0	Total	21.1

* *for identification purposes only*

For year ended 31 December 2012

LNG Processing				LNG Trading	
Distribution		**Sales**			
Name	**% of Revenue**	**Name**	**% of Revenue**	**Name**	**% of Revenue**
Customer L	20.8	Customer E	0.5	東莞虎門電廠 (Dongguan Human Power, "**Humen Power**") *(Note 3)*	7.5
Customer B	18.3	Customer O	0.4	Customer S	4.2
Guangzhou Circle *(Note 1)*	17.1	Customer P	0.2	Customer T	2.8
Customer M	2.5	Customer Q	0.2	Customer U	2.1
Customer N	2.3	Customer R	0.2	Guangzhou Circle *(Note 1)*	1.9
Total	61.0	Total	1.5	Total	18.5

For year ended 31 December 2011

LNG Processing				LNG Trading	
Distribution		**Sales**			
Name	**% of Revenue**	**Name**	**% of Revenue**	**Name**	**% of Revenue**
Customer B	28.0	Customer O	0.1	江蘇潤富新能源發展有限公司 (Jiangsu Runfu New Energy Development Co., Ltd.*, "**JS Runfu**") *(Note 2)*	2.6
Guangzhou Circle *(Note 1)*	23.3	Nil	n/a	Customer X	0.2
Guizhou Natural Gas *(Note 4)*	16.4	Nil	n/a	Customer Y	0.1
Customer V	3.5	Nil	n/a	Customer Z	0.1
Customer W	1.8	Nil	n/a	Nil	n/a
Total	73.0	Total	0.1	Total	3.0

* *for identification purposes only*

Top five external suppliers

For the year ended 31 December 2013

LNG Processing		LNG Trading	
Name	**% of COS**	**Name**	**% of COS**
SOE2	29.5	Supplier A	5.6
SOE1	25.0	Supplier B	3.4
Nil	n/a	Supplier C	2.6
Nil	n/a	Guangzhou Circle *(Note 1)*	2.0
Nil	n/a	Supplier D	1.3
Total	54.5	Total	14.9

For the year ended 31 December 2012

LNG Processing		LNG Trading	
Name	**% of COS**	**Name**	**% of COS**
SOE2	32.0	Guangzhou Circle *(Note 1)*	8.0
SOE1	27.0	JS Runfu *(Note 2)*	2.0
Nil	n/a	Guizhou Natural Gas *(Note 4)*	1.0
Nil	n/a	Nil	n/a
Nil	n/a	Nil	n/a
Total	59.0	Total	11.0

For the year ended 31 December 2011

LNG Processing		LNG Trading *(Note 5)*	
Name	**% of COS**	**Name**	**% of COS**
SOE1	33.0	Nil	n/a
SOE2	32.0	Nil	n/a
Nil	n/a	Nil	n/a
Nil	n/a	Nil	n/a
Nil	n/a	Nil	n/a
Total	65.0	Total	n/a

Notes:

1. **Guangzhou Circle**

   As confirmed by the Company, Mr. Wang is the general manager of Guangzhou Circle and is only responsible for the overall business development and high level strategic planning of Guangzhou Circle. As confirmed by Mr. Wang, he does not hold any equity interests or directorship in Guangzhou Circle. Mr. Wang also confirmed that the trading transactions between Guangzhou Circle and Yuanheng Gas Group were carried out by the respective sales team of Guangzhou Circle and Yuanheng Gas Group and he had abstained from decision making for matters such as pricing and contract volumes between Guangzhou Circle and Yuanheng Gas Group. Apart from Mr. Wang being the general manager of Guangzhou Circle, Mr. Bao, a cousin of Mr. Wang, is interested in approximately 18% equity interests in Guangzhou Circle. As confirmed by Mr. Bao, he is a passive investor of Guangzhou Circle and is not involved in the daily operation and management of Guangzhou Circle.

2. JS Runfu

As confirmed by the Company, Mr. Wang Jian, a brother of Mr. Wang, is interested in 70% equity interests in JS Runfu. JS Runfu is therefore regarded as a connected person of Yuanheng Gas Group and the Enlarged Group under the Listing Rules. However, Mr. Wang Jian has confirmed that he is not involved in the daily operation and management of JS Runfu. The daily operation and management of JS Runfu's business is carried out by the senior management of JS Runfu who are all third parties independent to the Company and its connected person.

3. Humen Power

As confirmed by the Company, Mr. Wang Jianshan, a cousin of Mr. Wang, is one of the three directors of Humen Power. Mr. Wang Jianshan does not hold any equity interests in Humen Power. As confirmed by Mr. Wang Jianshan, he is not involved in the daily operation and management of Humen Power. The daily operation and management of Humen Power's business is carried out by the senior management of Humen Power who are all third parties independent of the Company and its connected person.

4. Guizhou Natural Gas and Tongzi Gas

Both Guizhou Natural Gas and Tongzi Gas are a subsidiary of Guizhou Gas, which is a substantial shareholder of Huaheng Energy in which Yuanheng Gas directly holds a 49% equity interests and 1% equity interests through Dazhou Huixin. Guizhou Natural Gas and Tongzi Gas only became connected to Yuanheng Gas Group by virtue of its relationship with Huaheng Energy (a subsidiary of Yuanheng Gas) since June 2011. In view of the Exclusive Right and in order to tap into the Guizhou market, Yuanheng Gas Group had, together with Guizhou Gas, established Huaheng Energy and followed the Guizhou Gas Supply Arrangement to conduct LNG business in Guizhou Province.

5. Yuanheng Gas Group has only commenced its LNG trading business since November 2011. For the year ended 31 December 2011, Yuanheng Gas Group had relied on LNG supplied by Dazhou Huixin and Erdos Xingxing to support its LNG trading and did not source any LNG from external suppliers.

6. Throughout the Review Period, the transactions between Yuanheng Gas Group and each of Guangzhou Circle, Guizhou Natural Gas, Tongzi Gas, JS Runfu and Humen Power were all carried out on normal commercial terms and were similar to those available to/from independent customers/suppliers. Each of Mr. Wang and Mr. Wang Jianshan (cousin of Mr. Wang) has confirmed that (i) they do not hold any equity interests in each of Guangzhou Circle and Humen Power; and (ii) they had either abstained from the decision making in connection with transaction matters such as pricing and contract volumes with Yuanheng Gas Group and are not involved in the daily operation and management of the relevant companies. In addition, each of Mr. Bao (cousin of Mr. Wang) and Mr. Wang Jian (brother of Mr. Wang) has also confirmed that they are not involved in the daily operation and management of Guangzhou Circle and JS Runfu respectively. Guizhou Natural Gas and Tongzi Gas only became connected with Yuanheng Gas Group in June 2011 following the establishment of Huaheng Energy and is only connected with Yuanheng Gas Group by virtue of its relationship with Huaheng Energy.

7. During the Review Period, Yuanheng Gas Group has sold and purchased LNG products to/from (i) Guangzhou Circle; (ii) JS Runfu; and (iii) Guizhou Natural Gas. As provided by the management of Yuanheng Gas Group, it is not uncommon for energy enterprises in the PRC (in particular those who are involved in trading of energy products) to source and supply products from/to a business partner as longer as the terms of transaction (including but not limited to pricing, payment terms and delivery reliability) are competitive when compared to other business partners and on normal commercial terms.

Safety, insurance and quality control

Safety

Yuanheng Gas Group places great emphasis on safety control and has, accordingly, adopted a comprehensive safety management system to satisfy a variety of safety control regulations. Full-time safety management staffs are responsible for the daily safety management of the LNG liquefaction plants, the LNG satellite stations, the LNG fueling station and the gas pipelines transmission.

The LNG liquefaction plants owned by Dazhou Huixin and Erdos Xingxing are installed with computerised controlled system which continuously detects and controls the operations, and provides safety interlock protection to the facilities and automatically shuts down operation in case of emergency. The LNG satellite stations, the LNG fueling station and the gas pipelines transmission are configured with flammable gas leak alarm system in accordance with national standards.

Dazhou Huixin currently has 84 production technicians and 4 security control personnel. The staff of Dazhou Huixin works 4 shifts a day (each shift with 6 hours). One part-time security specialist and 8 quality control personnel will overview each shift.

Erdos Xingxing currently has 108 production technicians and 6 security control personnel. The staff of Erdos Xingxing works 4 shifts a day (each shift with 6 hours). One part-time security specialist and 7 quality control personnel will overview each shift.

The above specialists and personnel have undertaken certain training courses in relation to safety and obtained relevant qualifications.

Apart from the above, according to the rules and regulations of PRC, each factory shall equip itself with at least one certified safety engineer (註冊安全工程師). Currently Dazhou Huixin has 1 certified safety engineer and Erdos Xingxing has 2 certified safety engineers.

Due to Yuanheng Gas Group's strict implementation of safety control procedures, there have been no major accidents of serious injury, death, gas leakage or fire since Yuanheng Gas Group commenced its LNG operations in 2008.

Insurance

Yuanheng Gas Group maintains fire, liability or other property insurance covering its properties, equipment or inventories. Yuanheng Gas Group also maintains business interruption insurance, transportation insurance or third party liability insurance to cover claims in respect of personal injuries or property or environmental damage arising from accidents on Yuanheng Gas Group's properties or production plants.

Quality control

Quality control is implemented throughout the design and construction of natural gas liquefaction plants, LNG satellite stations, LNG fueling station and production process of LNG. Yuanheng Gas Group's quality control team has developed strict quality control procedures to ensure the safety and reliability of construction projects.

To ensure product quality, Yuanheng Gas Group established online monitoring analyzers to perform real-time monitoring of the natural gas liquefaction process. In addition, Yuanheng Gas Group developed LNG product quality standards and send product samples to third-party for inspection on a regular basis to ensure that each batch of products is qualified.

Key drivers of Yuanheng Gas Group's business

Global awareness on environmental protection

In recent years, global warming and the unstable climate models have drawn the attention on global environmental problems caused by air pollution. As a result, many countries have devoted more resources on environmental protection. Having considered that natural gas only generates half of the carbon dioxide emission and almost zero sulfur emission when compared to conventional coal, while at the same time all governments have committed to reduce pollution, it is expected that natural gas will become the fastest growing fossil fuel. It is also estimated that natural gas will surpass coal energy and become the world's second largest source of energy in 2035.

PRC government's policy on energy

The adoption of the Twelfth Five-Year Plan (the "**Plan**") in March 2011 mapped out a path for the use of cleaner energy sources to mitigate the effects of increasing energy demand in the PRC. Natural gas, which is proved to have relatively lower greenhouse gas (in particular, carbon dioxide and sulfur) and particulate emissions than coal and oil by various scientific and environmental reports, became a key energy source to be promoted under the Plan in order to reduce air pollution. The Plan aims that natural gas, which constitutes 5.0% of the primary energy mix of the PRC in 2011, will reach 8.3% share in the primary energy mix of the PRC in 2015. In the meantime, the PRC government has been focusing on construction of natural gas pipelines and gas storage facilities to achieve the widespread use of natural gas in future.

Competition

Competitors in the PRC LNG industry

Since the business of liquefaction of natural gas has just entered into a high growth stage of development in the PRC, the output level of the natural gas liquefaction plants still lags behind the market demand for LNG. The LNG market in the PRC still has room for further growth. Thus, the competition to Yuanheng Gas Group's natural gas processing and distribution business is less fierce. Nevertheless, the retails sales and trading of LNG in the PRC has been increasingly competitive in recent years. Through the formation of strategic alliance with leading local gas enterprises, Yuanheng Gas Group is more competitive than other local players. Please refer to the section headed "Industry Overview" of this circular for the details of competitive landscape of natural gas industry in the PRC.

Competitive strengths of Yuanheng Gas Group

Reliable and stable supply of high quality natural gas

Natural gas is the principal raw material for the production of LNG. Yuanheng Gas Group is able to source stable and reliable natural gas supplies for the LNG production at Huixin Plant and Erdos Plant pursuant to gas purchase agreements with the SOE1 and the SOE2 respectively. The proximity of the two liquefaction plants to natural gas fields also benefits Yuanheng Gas Group in terms of costs minimisation and profits maximisation.

Experienced and capable management team

The management team of Yuanheng Gas Group has extensive industry experience of over 10 years on average in the areas of engineering, financial, business management and sale and marketing in the energy industry (details of profiles of Yuanheng Gas Group's management team are set out in the section headed "Senior management of UHL Group"). The members of the management team possess the leadership, vision and in-depth industry knowledge required to formulate sound business strategies and execute the strategies in an effective manner to maximise the benefit to Yuanheng Gas Group. It is believed that the management of Yuanheng Gas Group is able to achieve cost-efficient organic and acquisitive growth of Yuanheng Gas Group's business.

In line with the need of changing energy structure in the PRC

Coal accounts for about 70% in the PRC's energy structure, which is much higher than the world's average of about 30%. Emission of pollutants released by coal burning, such as carbon dioxide and sulfur dioxide, is the highest among major fossil fuels. In 2009, the PRC government promised to reduce 40% to 45% carbon dioxide emission per unit GDP by 2020 comparing to that in 2005. At the same time, the PRC is actively seeking new low-emission energy.

Natural gas is the most environmental-friendly energy among fossil energy. Its carbon dioxide emissions from combustion account for only 35% and 65% of emission released by coal and oil respectively, while the other pollutant emissions only account for 3 to 53% of such emissions. Therefore, natural gas is the ideal low-carbon energy for the PRC's future sustainable development.

Strategic alliance with local enterprises

Strategic alliance is established between Yuanheng Gas Group and well-established local enterprises or state-owned enterprise in order to minimise operation risks and share the business network of local partners in the market.

Guizhou Gas, another shareholder of Huaheng Energy, is a state-owned enterprise of city gas infrastructure provider and distributor in Guizhou Province. With the Exclusive Right, Guizhou Gas has an unique advantage to secure LNG satellite station projects or other LNG projects in Guizhou Province. Recognising the strength of each of Yuanheng Gas Group and Guizhou Gas, the parties are able to pool their resources and leverage onto each other's strength for the benefit of the joint venture.

Heze Group, one of the shareholders of Heze Lujie, is a state-owned enterprise that is responsible for passengers and cargo transport in Shangdong Province. Heze Group manages more than 23,000 vehicles which are in the progress to switch from diesel or gasoline fuel to LNG. Accordingly, there is immediate and enormous demand for LNG.

Well-rounded LNG industrial chain

Yuanheng Gas Group owns two LNG processing plants, operates two logistics companies with 50 LNG trucks, two LNG satellite stations and one LNG fueling station. The well-rounded LNG industrial chain enables Yuanheng Gas Group to monitor the whole process from production to transportation and consumption of LNG and control the quality of services and products provided.

Potential competition with related parties

Potential competition with Guangzhou Circle

Mr. Wang is the general manager of Guangzhou Circle and Mr. Bao Jun, a cousin of Mr. Wang, is interested in approximately 18% equity interests in Guangzhou Circle. Guangzhou Circle is principally engaged in oil and gas trading but not the upstream operation of oil and gas processing. As discussed above, Mr. Wang is only responsible for the overall business development and high level strategic planning of Guangzhou Circle and Mr. Bao is not involved in the daily operation and management of Guangzhou Circle. Since the LNG trading business of Yuanheng Gas Group only accounted for about 30% of its revenue for the year ended 31 December 2013, the Company considered that the potential competition between Guangzhou Circle and Yuanheng Gas Group is only limited to a minimal extent. In addition, Mr. Wang has undertaken that he will continue to abstain from Guangzhou Circle's business decision process in matters relating to pricing and contract volumes between Guangzhou Circle and Yuanheng Gas Group for the purposes of mitigating any potential conflict of interests.

Potential competition with JS Runfu

JS Runfu (owned as to 70% by Mr. Wang Jian who is Mr. Wang's brother) is principally engaged in supply of natural gas in Nantong, Jiangsu Province. As the principal operation of Yuanheng Gas Group's business is in North China and Southwest China, the Company considered that there is a clear geographical delineation between the business operations of JS Runfu and Yuanheng Gas Group.

Potential competition with Humen Power

Mr. Wang Jianshan, a cousin of Mr. Wang, is one of the three directors of Humen Power but he does not have any equity interests in Humen Power. Humen Power is principally engaged in generation and sale of electric power to the regional grid companies in Guangdong Province and therefore the Company considered Humen Power's business does not compete with that of Yuanheng Gas Group.

Threats and limitations to the business operations of Yuanheng Gas Group

Yuanheng Gas Group has within less than 5 years, established a well-rounded LNG industrial chain with two large scale LNG processing plants, a sizable fleet of trucks and LNG satellite and fueling stations for the distribution of LNG/natural gas to its customers. At present, the distribution channel of Yuanheng Gas Group mainly serves the industrial users, including the white wine distilleries in Guizhou Province. In developing the distribution channels with high energy consumption industrial users, energy providers (including Yuanheng Gas Group) are usually required to facilitate sufficient storage facilities and transportation in order to ensure low disruptive supply of natural gas. In view of the rapid growth of Yuanheng Gas Group, and to maintain (if not increase) its competitiveness against the increasing number of LNG liquefaction plants in the PRC, Yuanheng Gas Group requires to continue to expand its downstream customer base and to constantly improve and/or invest in ancillary facilities (such as storage facilities) and services to its customers.

Business strategies

Strengthen sales networks

With a solid foundation from the LNG processing plants, Yuanheng Gas Group has over the years, developed and recognised its own competitive advantage and has focused its strategy in expanding Yuanheng Gas Group's sales and distribution channels through forming strategic alliances with established industry players. In order to strengthen its sales network, UHL Group will continue to seek strategic business partners in investing in LNG satellite stations, LNG fueling stations, storage facilities and other ancillary facilities and to expand its customer base from the existing industrial users and commercial vehicles to marine transportation vehicles. In the short run, UHL Group will leverage on its existing presence in Renhuai to continue extend its business network within the hundreds of white wine distilleries clusters along the Chishui River. As at the Latest Practicable Date, UHL Group has entered into supply contracts with eighteen white wine distillers for the supply of LNG/natural gas.

Optimise resource allocation and increase operational efficiency

UHL Group will adopt the following measures to optimise resource allocation and increase operational efficiency:

- further improve the quality of management, optimise management's decision-making process and improve risk assessment and other internal controls processes; and
- improve the finance management system and strengthen the control of capital management, profitability, cash flows and other aspects of our financial management.

Business development

Given the fast growing economic conditions of the PRC and the awareness of the use of cleaner energy, UHL Group has formulated a series of development plans to seize the market opportunities and to further penetrate into the PRC energy market. Set out below are the highlights of UHL Group's business development plans:

- In view of the government policy (as discussed in the paragraph headed "Chinese white wine distillers — LNG satellite stations" above) and the environmental friendliness of the use of natural gas, it is expected that natural gas will gradually become the main source of fuel for white wine production in Guizhou Province. Huaheng Energy has reached a preliminary agreement with another sub-brand of Kweichow Moutai in respect of the exclusive supply arrangement of natural gas. Huaheng Energy is also in negotiation with several other key white wine distilleries in Renhuai to expand its LNG sales network. It is expected that the negotiation with the several distilleries will be concluded and gas supply will commence by the first half of 2014. To cope with the growing demand of LNG from white wine distillers, Huaheng Energy plans to further construct two LNG satellite stations in Guizhou Province to increase the daily gas supply capacity from approximately 400,000 m^3 as at the Latest Practicable Date to approximately 1,000,000 m^3 by the end of 2014. The construction of the new LNG satellite stations is expected to commence in the third quarter of 2014. It is expected that the new LNG satellite stations will commence commercial operation by the first quarter of 2015. The construction costs are expected to be controlled within RMB80 million and will be financed by internal resources of the Enlarged Group and bank borrowings of Huaheng Energy;

- Guizhou Gas Pipelines, in which UHL indirectly holds 20% shareholdings, was incorporated on 25 July 2013 and is intended to engage in the investment in operation and management of gas pipeline infrastructure and transportation of piped gas in Guizhou Province. Guizhou Gas Pipeline has obtained the approval from 貴州省發展和改革委員會 (Guizhou Development Planning Commission*) for the construction project of pipeline network connecting between Renhuai and Zunyi in Guizhou Province. It is expected that the construction of the project will be financed through a combination of an internal source of funds and bank borrowing of Guizhou Gas Pipelines. The new pipeline business is expected to contribute to the revenue of the Yuanheng Gas Group in the fourth quarter of 2014;

- In view of the increasing demand for natural gas from customers in South China, Yuanheng Gas is considering expanding its business coverage through collaboration with an established gas enterprise in Guangdong Province (the "**Strategic Partner**") for the construction and development of LNG storage facilities near Xi River (西江). It is expected that Yuanheng Gas will enter into a cooperation agreement with the Strategic Partner by mid 2014 for the establishment of a joint venture company on a 50/50 basis. The proposed collaboration will enable Yuanheng Gas Group to tap into new market to supply natural gas to boats, vessels or transportation vehicles along the Xi River. The storage facilities will also enable Yuanheng Gas Group to have sufficient LNG reserve to meet any changes in market condition such as gas shortage during winter peak season. The LNG storage facilities will be constructed and developed in two phases. The construction for phase 1 storage facilities with estimated investment of approximately RMB100 million is expected to commence in mid-2014 by stages. Two 5,000 m^3 LNG storage tanks with gasification capacity of 6 million Nm^3 will be constructed and commercial operation is expected to commence in the first quarter of 2015. The construction for phase 2 storage facilities with an estimated investment of approximately RMB150 million is expected to commence in mid 2015. Two 10,000 m^3 LNG storage tanks with gasification capacity of 12,000,000 Nm^3 will be constructed and commercial operation is expected to commence in mid 2016. The total investment costs for construction of LNG storage facilities is estimated at approximately RMB250 million which will be borne by Yuanheng Gas and the Strategic Partner on a 50/50 basis. It is expected that Yuanheng Gas will finance the project by internal resources of the Enlarged Group and the existing bank facilities available to the Enlarged Group;

* *for identification purpose only*

- In view of PRC government's policy to promote the use of clean energy and the increasing number of LNG vehicles in use in the PRC, Yuanheng Gas has entered into a framework agreement with a well established enterprise engaging in energy industry in Hunan Province (the "**Fueling Partner**") for the expansion of its network of fueling station in the PRC. It is expected that Yuanheng Gas will enter into a cooperation agreement with the Fueling Partner by end of 2014 for the establishment of a joint venture company which will be engaged in the development and operation of mixed gasoline and natural gas fueling stations in the PRC. It is expected that Yuanheng Gas will finance the project by internal resources of the Enlarged Group and the existing bank facilities available to the Enlarged Group; and

- UHL Group will leverage on the Group's business network with trading partners to further expand its gas trading operations in the PRC and overseas.

Legal proceedings and compliances

In April 2007, Dazhou Huixin entered into a contract with 資陽市陸柒柒物流有限公司 (Ziyang Luqiqi Logistics Co., Ltd.*, "**Luqiqi**") pursuant to which Luqiqi was engaged as the delivery agent of Dazhou Huixin to transport LNG from the Dazhou Plant to one of its customers (the "**Luqiqi Contract**"). In August 2010, due to a disruption in the supply of natural gas from the gas supplier to Huixin Plant, Dazhou Huixin failed to provide LNG to Luqiqi for delivery under the Luqiqi Contract.

In January 2012, Dazhou Huixin received a notice of action from Chengdu Arbitration Commission (成都仲裁委員會) in relation to an arbitration proceeding commenced by Luqiqi against Dazhou Huixin in respect of disputes relating to, inter alia, the claim for damages caused by the breach of Luqiqi Contract by Dazhou Huixin together with interest thereon and relevant legal costs (the "**Arbitration**"). The case has been settled and concluded following an arbitration award issued by Chengdu Arbitration Commission dated 1 August 2013, pursuant to which Dazhou Huixin is required to pay to Luqiqi a sum of RMB11,441,705 within 15 days from the date of the delivery of the arbitration award. The sum is still outstanding as at the Latest Practicable Date as Dazhou Huixin is seeking legal opinion to apply for the dismissal of the arbitration award.

* *for identification purpose only*

During the Review Period, Huaheng Energy and Heze Lujie were involved in regulatory compliance issues. We set out below details of the compliance issues and the primary remedial measures adopted by Yuanheng Gas Group in response to these incidents:

Compliance issues incidents	Legal consequence	Latest status	Measures taken to prevent any future breaches and ensure on-going compliance
Huaheng Energy commenced operations in August 2011 before obtaining the Gas Operation Permit (燃氣經營許可證) (the "**Permit**") (the "**Huaheng Compliance Issue**").	Under applicable PRC laws and regulations, an enterprise is required to obtain the Permit before commencing operations relating to storage, transportation and sales of natural gas and/or LNG. Failure to obtain the Permit before commencing operations may results in an order to confiscate operation incomes and/or a fine of up to RMB500,000.	Huaheng Energy obtained the Permit on 7 September 2013 for a term of 3 years till 8 September 2016. Renhuai Industry and Commerce Bureau (仁懷市工商行政管理局) and Renhuai City Administration Bureau (仁懷市城市管理局) issued exemption letters dated 1 November 2013 respectively pursuant to which they allowed Huaheng Energy to commence operations without obtaining the Permit. Given that Huahang Energy obtained the exemption letters from government authorities, the PRC Legal Adviser advised that there will not be any legal or administrative actions or fine against Huahang Energy in respect of the Huaheng Compliance Issue.	To avoid non-compliance in the future, UHL Group (i) has implemented policy requiring all of its subsidiaries and associates to obtain all permits and licenses necessary for operation; (ii) conducts annual inspections on its subsidiaries and associates to ensure that applicable laws, rules and regulations are complied with; and (iii) has strengthened the legal training for its management team. The Board is of the view that the aforesaid measures has effectively improved the internal control system of UHL Group and mitigated the risk of non-compliance in the future, and therefore is sufficient to prevent similar breach in the future.

Compliance issues incidents	Legal consequence	Latest status	Measures taken to prevent any future breaches and ensure on-going compliance
Heze Lujie commenced trial-run before obtaining the Permit in January 2012 (the "**Lujie Compliance Issue**").	Under applicable PRC laws and regulations, an enterprise is required to obtain the Permit before commencing operations relating to storage, transportation and sales of natural gas and/or LNG. Failure to obtain the Permit before commencing operations may results in an order to confiscate operation incomes and/or a fine of up to RMB500,000.	Heze Lujie obtained the Permit on 16 September 2013 for a term of 5 years till 16 September 2018. On 11 January 2013, Planning Bureau of Heze issued a fine of RMB19,040 to Heze Lujie (the "**Fine**") in respect of the Lujie Compliance Issue. Heze Lujie fully paid the Fine on 14 January 2013. As advised by the PRC Legal Advisers, upon the full payment of the Fine, there will not be any further administrative actions and/or penalties by the government authority against the Lujie Compliance Issue.	To avoid non-compliance in the future, UHL Group (i) has implemented policy requiring all of its subsidiaries and associates to obtain all permits and licenses necessary for operation; (ii) conducts annual inspections on its subsidiaries to ensure applicable laws, rules and regulations are complied with; and (iii) has strengthened the legal training for its management team. The Board is of the view that the aforesaid measures has effectively improved the internal control system of UHL Group and mitigated the risk of non-compliance in the future, and therefore is sufficient to prevent similar breach in the future.

In relation to the aforesaid, the Vendor has agreed to execute a deed of indemnity effective upon Completion in favour of the Purchaser and/or UHL Group to keep UHL Group indemnified against any loss of profit and business, penalties and fines and all losses and damages which may be suffered by UHL Group as a result of and in connection with, among other things, the Arbitration, the Huaheng Compliance Issue and the Lujie Compliance Issue.

UHL Group has equipped itself with an experienced management team, which consists of personnel with qualifications and experience in the energy industry in the PRC, to oversee its operations. Upon Completion, the Company will retain the current management team of UHL Group to ensure continual efficient operation of UHL Group. In addition, Mr. Bao and Mr. Zeng Jie will be appointed as general manager and vice president of Yuanheng Gas respectively upon Completion to ensure the Company's control over the business operations of UHL Group. Set out below are the biographical details of the existing and proposed senior managements of UHL Group:

EXISTING SENIOR MANAGEMENT

Sales and marketing

Mr. Zhang Zhisen (張志森) ("**Mr. Zhang**"), aged 43, is currently employed as sales and marketing director of Yuanheng Gas. Mr. Zhang is responsible for the sales and marketing of Yuanheng Gas Group. He obtained his bachelor degree in International Economics Law from University of International Business and Economics (對外經濟貿易大學). Prior to joining Yuanheng Gas Group in May 2010, he was the business manager of Sinochem International Corporation (中化國際(控股)股份有限公司). Mr. Zhang has also served as the general manager assistant of Zhejiang Wuchan Metals Group Limited (浙江物產金屬集團有限公司). He has over 10 years of experience in sales and marketing in the oil and gas industry.

Mr. Yang Zeshan (楊澤山) ("**Mr. Yang**"), aged 45, is currently employed as sales and marketing director of Huaheng Energy. He graduated from Chinese Academy of Social Sciences (中國社會科學院) and majored in Journalism and subsequently obtained a diploma in Chinese in South China Normal University (華南師範大學). He has extensive experience in marketing and public relations. Before joining Huaheng Energy in June 2011, Mr. Yang served as manager of advertising department of Guangzhou City Broadcasting Network (廣州市電視台).

Strategic Planning, operation and technical management

Mr. Deng Chao (鄧超) ("**Mr. Deng**"), aged 52, is currently a director of both Erdos Xingxing and Dazhou Huixin. Mr. Deng is responsible for corporate management and strategic planning. Mr. Deng graduated from Neijiang Finance and Commerce Institute (內江財貿學校) and majored in Banking Management. He has over 27 years of experience in corporate and financial management. In 1986, he attended the banking management degree course in ICBC Changhun finance management Institute (中國工商銀行長春金融管理幹部學院). He had served as a credit analyst, deputy manager of the property credit department and manager of Industrial and Commercial Bank of China Limited, Neijiang branch (中國工商銀行內江分行) between December 1984 and December 1997. Mr. Deng joined Sichuan Guanghui Property Limited Company (四川廣匯置業有限公司) as a chairman in 1998 and was responsible for overseeing the commercial and residential property projects and managing the branding for its company. Mr. Deng was appointed as a director of Erdos Xingxing and Dazhou Huixin since their incorporation respectively.

Dr. Yang Zhiyi (楊志毅) ("**Dr. Yang**"), aged 51, is currently employed as technical director of Yuanheng Gas. Dr. Yang is responsible for the engineering design, construction and management of LNG processing and storage facilities. He obtained his doctorate degree in oil and gas storage and transportation engineering (油氣儲運工程) from Southwest Petroleum College (西南石油學院) and is also a professor-grade senior engineer. Prior to joining Yuanheng Gas Group in March 2012, he was the chancellor and vice party secretary of Research Institute of Survey and Design of Zhongyuan Petroleum Exploration Bureau (中原石油勘探局勘察設計研究院). Subsequently, he also served as the deputy chief engineer and the project supervisor of LNG division of Sinopec Natural Gas Branch (中石化天然氣分公司). Dr. Yang has over 20 years of experience in LNG engineering projects, including but not limited to the design, construction and management of a 500,000 tonne natural gas liquefaction facilities in Qingdao, LNG fueling and satellite stations.

Mr. Wang Qinghua (王慶華) ("**Mr. QH Wang**"), aged 58, is a senior technician in electrical engineering and has over 25 years of experience in project construction and management. He had acted as one of the technology senior managements in Pangang Group Chengdu Steel & Iron Co., Ltd. (攀鋼集團成都鋼鐵有限公司) and was responsible for the coordination and supervision of large scale project constructions. He was one of the key management involved in the construction, operation and production in Erdos Xingxing and Dazhou Huixin and has expertise and extensive experiences in construction, daily operation and technology management of LNG plants. Mr. QH Wang joined Yuanheng Gas Group in December 2008 and is currently the deputy general manager of Dazhou Huixin.

Mr. Zhuang Shijin (莊世金) ("**Mr. Zhuang**"), aged 53, is currently employed as deputy general manager in Dazhou Huixin. He was qualified as an oxygen-production technician in 2001 and had acted as technician and management in Pangang Group Chengdu Steel & Vanadium Co., Ltd. (攀鋼集團成都鋼釩有限公司). Mr. Zhuang joined Dazhou Huixin in May 2008 and was involved in the design, construction and management of Huixin Plant.

Mr. Liu Shimin (劉世民) ("**Mr. Liu**"), aged 31, is currently employed as deputy factory general manager and chief engineer in Erdos Xingxing. He graduated from Sichuan University (四川大學) and majored in Chemical Engineering and Technology. Mr. Liu joined Erdos Xingxing in December 2004 immediately after graduation and is responsible for the design, operation and management of the natural gas liquefaction facilities of the Erdos Xingxing.

Mr. Liu Yahui (劉亞慧) ("**Mr. YH Liu**"), aged 29, graduated from Inner Mongolia University of Technology (內蒙古工業大學) and obtained Bachelor in Chemical Engineering and Technology in 2007. Mr. YH Liu joined Erdos Xingxing in August 2007 immediately after graduation and acted as the head of production and technology department, assistant to general manager and is currently the deputy general manager in Erdos Xingxing.

Financial management and internal control

Mr. Tan Yunlong (譚雲龍) ("**Mr. Tan**"), aged 46, is a qualified accountant in PRC and serves as finance director of Yuanheng Gas. Mr. Tan is responsible for the financial management and internal control of Yuanheng Gas Group. He is a professional accountant and has about 20 years of experience in accounting and financial management. Prior to joining Yuanheng Gas Group in November 2010, Mr. Tan was the deputy general manager of Shenzhen Fuhuade Electric Power Co., Ltd. (深圳福華德電力有限公司) (currently known as CNOOC Shenzhen Power Co., Ltd., 中海油深圳電力有限公司).

PROPOSED SENIOR MANAGEMENT

General manager of Yuanheng Gas

Mr. Bao will be appointed as the general manager of Yuanheng Gas upon Completion and he will be responsible for overall affairs of the Yuanheng Gas Group, in particular, the designing and identifying of the business strategy, driving business growth and setting development targets of the Yuanheng Gas Group. Mr. Bao will also assist in maintaining client relationship with the strategic business partners and development of business opportunities from the business network. Please refer to the paragraph headed "Proposed Appointment of Executive Director" in the letter from the Board of this circular for the biographical details of Mr. Bao.

Vice president of Yuanheng Gas

Mr. Zeng Jie (曾傑) ("**Mr. Zeng**"), aged 39, will be appointed as the vice president of Yuanheng Gas upon Completion and he will be responsible to assist in the business development and strategic planning of Yuanheng Gas Group, in particular, the implementation and project management of the various business opportunities. He obtained the bachelor degree in Information and Computer Science from Zhoukou Normal University (周口師範學院). After his graduation, Mr. Zeng worked in the imports and exports department of a state-owned foreign trade corporation from 1996 to 2000. Prior to joining the Group, Mr. Zeng served as the sales manager of Guangzhou Circle to coordinate the sale and purchase of oil and gas, and was involved in the customer relationship management. He has over 10 years of experience in sales and marketing in the oil and gas industry.

The following discussion and analysis should be read in conjunction with the accountants' report on UHL Group and Yuanheng Gas Group for the three years ended 31 December 2011, 2012 and 2013 as set out in the Appendix IIA and Appendix IIB of this circular.

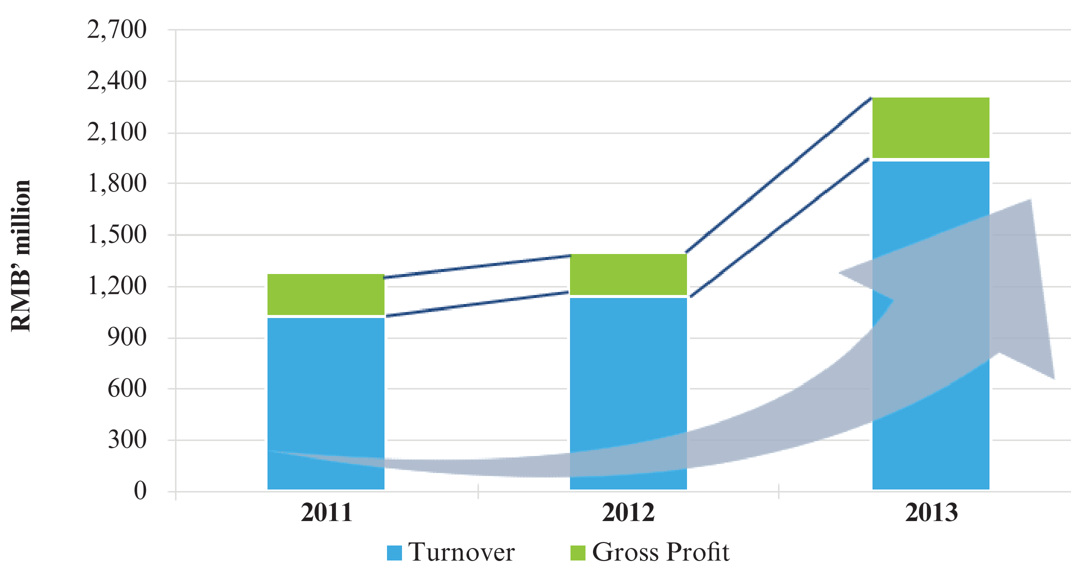
UHL AND YL INTERNATIONAL

As mentioned in the letter from the Board of this circular, UHL is an investment holding company and was incorporated in the BVI with limited liability. Save for its 100% equity interests in YL International which in turn is the registered owner of Yuanheng Gas, UHL has not carried out other significant business activities and has not recorded any turnover since its incorporation on 7 January 2011. Save for minimal administrative expenses incurred and the contribution from its holding company, UHL does not have other significant assets and liabilities as at 31 December 2013.

YL International is the registered owner of Yuanheng Gas. It recognised a gain of approximately HK$155,000 for the year ended 31 December 2013 from investment relating to the trading of oil future contracts. Save for the aforesaid and its investment in Yuanheng Gas, YL International has not carried out other significant business activities since its incorporation on 11 July 2011. Save for minimal administrative expenses incurred and the contribution from UHL, YL International did not have other significant assets and liabilities as at 31 December 2013.

Yuanheng Gas Group

Yuanheng Gas Group's turnover and gross profit for the years ended 31 December 2011, 2012 and 2013 are illustrated below:



I. *For the year ended 31 December 2011*

Revenue

The revenue of Yuanheng Gas Group for the year ended 31 December 2011 ("**FY2011**") was amounted to approximately RMB1,025.4 million, increased by 374.9% compared to the year ended 31 December 2010 ("**FY2010**") (FY2010: approximately RMB215.9 million). The increase was mainly attributable to the consolidation of the financial results of both Erdos Xingxing and Dazhou Huixin in the financial statement of Yuanheng Gas Group (for the full financial year), following the acquisition of the 39% equity stake in each of the company and became non wholly owned subsidiaries of the Yuanheng Gas Group. In addition, both Erdos Xingxing and Dazhou Huixin registered higher revenue for FY2011 compared to its preceding years, due to the overall improvement in its production utilisation after the commencement of its operations in 2009 and 2010 respectively.

Sales made to customers of Dazhou Huixin and Erdos Xingxing are usually made with down payment upon signing of the supply contract and payment in advance before the delivery of the LNG. The down payment is often regarded as the deposit, whilst the remaining balance is accounted as payment in advance for LNG to be supplied.

Cost of sales

The cost of sales of Yuanheng Gas Group for FY2011 increased by 327.3% from approximately RMB179.3 million (FY2010) to approximately RMB766.2 million. Apart from the impact reflected upon the consolidation of the two operating companies, the cost of sales for Dazhou Huixin also increased from its preceding year for its full year of operations.

Payments for natural gas by Yuanheng Gas Group to its suppliers are made monthly in advance either in the form of cash or bills payable. For the financial years ended 31 December 2011, the purchase cost of gas accounted for approximately 63.3% of Yuanheng Gas Group's cost of sales.

Other income

Other income mainly represents the interest income from banks and a non-controlling shareholders and a former shareholder of subsidiaries. Based on shareholders resolutions of Erdos Xingxing and Dazhou Huixin, the amounts due from the non-controlling shareholder and former shareholder are interest bearing at rates ranging from 9.6% to 12% per annum.

Other income of Yuanheng Gas Group for FY2011 was approximately RMB10.4 million and no material fluctuation when compared to the previous year (FY2010: approximately RMB10.7 million).

Administrative expenses

The administrative expenses of Yuanheng Gas Group for FY2011 increased by 264.2% to approximately RMB49.9 million when compared to the previous year (FY2010: approximately RMB13.7 million), which was in line with the increase in turnover.

Distribution and selling expenses

The distribution and selling expenses of Yuanheng Gas Group for FY2011 increased from approximately RMB0.3 million to RMB1.1 million.

During the year ended 31 December 2011, transactions were entered into between the subsidiaries of UHL Group and Guangzhou Circle, where Guangzhou Circle sourced LNG from Dazhou Huixin and Erdos Xingxing and later supplied to Yuanheng Gas at a markup form the original selling price. Such transactions were carried out on a case by case and arms-length basis, where the LNG sourced from Guangzhou Circle are sold by Yuanheng Gas to customers introduced/referred to by Guangzhou Circle. For preparation of the financial statements purpose, these transactions were eliminated on consolidation, and the difference arose between the sales and purchases were recognised as selling expenses, which amounted to approximately RMB0.6 million.

Finance costs

The finance costs of Yuanheng Gas Group for FY2011 increased by 326.2% to approximately RMB101.0 million when compared to the previous year (FY2010: approximately RMB23.7 million). The increase was mostly due to the consolidations. Notwithstanding, the rise in the bank loans for the funding of the two liquefaction plants, also lead to higher finance costs for both Erdos Xingxing and Dazhou Huixin FY2011 when compared to the prior financial year.

Income tax expense

Income tax expense of Yuanheng Gas Group for FY2011 increased by 628.6% from approximately RMB6.3 million to approximately RMB45.9 million due to the increase in profit before taxation.

Profit for the year

The net profit of Yuanheng Gas Group for FY2011 increased marginally from approximately RMB66.1 million to approximately RMB68.1 million. However, excluding the non-recurring gain of approximately RMB63.1 million in 2010, the Yuanheng Gas Group has recorded an enormous improvement in 2011, where its net profit escalated from RMB3.0 million to RMB68.1 million, mainly due to (i) the consolidation of the 12 months financial performance of Erdos Xingxing and Dazhou Huixin; and (ii) the overall improvement in the financial results of both liquefaction plants following their commencement of operations (in 2009 and 2010 respectively).

Liquidity and financial resources of Yuanheng Gas Group

As at 31 December 2011, Yuanheng Gas Group had net current liabilities of approximately RMB898.3 million. The current assets mainly comprised of inventories of approximately RMB24.3 million, trade and other receivables of approximately RMB132.3 million, prepaid lease payments of approximately RMB0.9 million, amounts due from related parties of approximately of RMB29.6 million, pledged bank deposits of approximately RMB310.1 million and cash and cash equivalents of approximately RMB58.3 million. The amounts due from related parties were mainly in respect of prepayments made for purchase of LNG as well as amounts receivables from sales of goods, which were interest-free and collectable on demand. Yuanheng Gas Group had total assets of approximately RMB1,770.3 million, current liabilities of approximately RMB1,453.8 million, non-current liabilities of approximately RMB83.1 million and shareholders' equity of approximately RMB233.4 million. Included in the current liabilities were the amounts due to related parties, comprising mainly (i) receipt in advance for sales of goods; and (ii) interest bearing loan advances (at rates ranging from 6.44% to 16% per annum).

Bank and other borrowings of Yuanheng Gas Group

The bank borrowings of Yuanheng Gas Group are denominated in RMB. The majority of loans were granted by Industrial Bank Co., Ltd., Shanghai Pudong Development Bank and China Merchants Bank. As at 31 December 2011, the total amount of bank and other borrowings of Yuanheng Gas Group was approximately RMB660.9 million. The breakdown of the borrowings is as follows:

	As at 31 December 2011 *RMB'000*
Short-term borrowings (due within one year)	604,904
Long-term borrowings (repayable after one year)	56,000
Total bank and other borrowings	660,904

As at 31 December 2011, among the total bank borrowings of approximately RMB660.9 million, approximately RMB604.9 million of which is repayable within one year; and RMB56.0 million of which is repayable more than 1 year but not exceeding 2 years.

As at 31 December 2011, the effective interest rates per annum (which are also equal to contractual interest rates) on the Yuanheng Gas Group's bank and other borrowings ranges as follows:

Fixed-rate bank borrowings	6.88%–9.09%
Fixed-rate other borrowings	7.44%–16.00%
Floating-rate bank borrowings	6.56%–8.53%

Charges on the assets of Yuanheng Gas Group

As at 31 December 2011, the total amount of assets pledged for banking facilities (including those under finance lease) of Yuanheng Gas Group was approximately RMB1,129.7 million, which include among other things, pledged bank deposits of approximately RMB310.1 million and property, plant and equipment of approximately RMB710.3 million.

Contingent liabilities

As at 31 December 2011, Yuanheng Gas Group did not have any reportable contingent liabilities.

Capital expenditure and investment of Yuanheng Gas Group

Capital expenditure for purchase of property, plant and equipment amounted to approximately RMB33.5 million for FY2011. These expenditures were mainly incurred for purchase of LNG trucks to facilitate the increase in LNG logistic capacity.

Capital commitments

As at 31 December 2011, the capital expenditure commitments in respect of acquisition of property, plant and equipment contracted for but not provided in the financial information was approximately RMB1.9 million.

Gearing ratio

As at 31 December 2011, the gearing ratio, which is the debt-to-equity ratio, of Yuanheng Gas Group was 5.0 (2010: 17.1).

Segment information

As at 31 December 2011, the operating segments of the Yuanheng Gas Group can be divided into two segments, namely wholesales of LNG and other operations. In particular, wholesales of LNG comprised LNG processing and LNG trading, whilst other operations were in respect of operations in LNG transportation. For FY2011, the revenue from LNG processing, LNG transportation and LNG trading was approximately RMB920.3 million, RMB70.1 million and RMB35.0 million respectively.

For FY2011, revenue from LNG processing amounted to approximately RMB920.3 million, represented an increase of 348.2% as compared to that of FY2010. Meanwhile, revenue from LNG transportation increased by approximately 565.4% to approximately RMB70.1 million, as compared to FY 2010. The increase was mainly attributable to the consolidation of the financial results (for the full year of 2011) of two non-wholly owned subsidiaries of Yuanheng Gas Group, namely Erdos Xingxing and Dazhou Huixin, following the acquisition of the 39% equity interest in each of the company in October 2010. In addition, Yuanheng Gas Group has also commenced its LNG trading business in November 2011, which contributed approximately RMB35 million to the total revenue of the Yuanheng Gas Group.

For FY2011, approximately 31.2%, 28.9% and 18.5% of segmental revenue from LNG wholesales were derived from sales to customers in Hebei Province, Guizhou Province and Guangdong Province respectively.

For FY2011, the gross profit margin of LNG processing segment was approximately 27%, represented an increase of 9.3% compared to the gross profit margin of approximately 17.7% recorded in the like segment for the preceding financial year. The increase was mainly attributable to the increase in LNG production yield and the average increase in the LNG selling price.

Exposure to fluctuations in exchange rates and related hedging

Yuanheng Gas Group's business transactions, assets and liabilities are principally denominated in RMB, its functional currency. Accordingly, the directors of Yuanheng Gas Group consider that Yuanheng Gas Group is not exposed to significant foreign currency risk.

Yuanheng Gas Group currently does not have a foreign currency hedging policy. However, the management of Yuanheng Gas Group continues to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Significant investment and material acquisitions and disposals

In June 2011, Yuanheng Gas collaborated with Guizhou Gas and established Huaheng Energy, a joint venture which Yuanheng Gas and Dazhou Huixin hold 49% and 1% in its shareholding respectively. The registered capital of Huaheng Energy is RMB40 million.

Save as disclosed above, there was no significant investment, material acquisitions or disposals by Yuanheng Gas Group for the year ended 31 December 2011.

Capital structure

In October 2011, Yuanheng Gas obtained the approval from BOFTEC for its change from a PRC limited liability company to a sino-foreign equity joint venture enterprise with the registered capital increased from RMB1,000,000 to RMB201,000,000.

As at 31 December 2011, the paid-in capital of Yuanheng Gas was RMB114,642,495.

Employees and remuneration policies

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specified percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees.

As at 31 December 2011, total expense of approximately RMB3.8 million was in respect of contributions payable by the Yuanheng Gas Group at rates specified under the rules of the respective retirement benefit schemes.

As at 31 December 2011, Yuanheng Gas Group had approximately 540 employees (31 December 2010: 469). 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.

II. For the year ended 31 December 2012

Revenue

The revenue of Yuanheng Gas Group for the year ended 31 December 2012 ("**FY2012**") was amounted to approximately RMB1,143.3 million, represented an increase of 11.5% when compared with the corresponding period last year (FY2011: approximately RMB1,025.4 million). The increase was driven by the steady increase in LNG production yield in the two liquefaction plants as well as the increase of revenue from LNG sales, distribution and trading.

Sales to customers of Dazhou Huixin and Erdos Xingxing are usually made with down payment upon signing of the supply contract and payment in advance before the delivery of the LNG. The down payment is often regarded as the deposit, whilst the remaining balance is accounted as payment in advance for LNG to be supplied.

Cost of sales

The cost of sales of Yuanheng Gas Group for FY2012 increased by 15.4% to approximately RMB884.4 million when compared to the previous year (FY2011: approximately RMB766.2 million). It was in line with increase in revenue of Yuanheng Gas Group.

Payments for natural gas by Yuanheng Gas Group to its suppliers are made monthly in advance either in the form of cash or bills payable. For the financial years ended 31 December 2012, the purchase cost of gas accounted for approximately 63.6% of Yuanheng Gas Group's cost of sales.

Other income

Other income mainly represents the interest income from banks and a non-controlling shareholders and a former shareholder of subsidiaries. Based on shareholders resolutions of Erdos Xingxing and Dazhou Huixin, the amounts due from the non-controlling shareholder and former shareholder are interest bearing at rates ranging from 9.6% to 12% per annum.

Other income of Yuanheng Gas Group for FY2012 increase by 35.6% to approximately RMB14.1 million when compared to the previous year (FY2011: approximately RMB10.4 million), mainly due to the increase of interest income from bank.

Administrative expenses

The administrative expenses of Yuanheng Gas Group for FY2012 increased by 5.2% to approximately RMB52.5 million (FY2011: approximately RMB49.9 million). The increase was mainly due to the pre-operating expenses incurred for the operation of LNG satellite stations and LNG fueling stations.

Distribution and selling expenses

The distribution and selling expenses of Yuanheng Gas Group for FY2012 increased from approximately RMB1.1 million to RMB26.3 million.

During the year ended 31 December 2012, transactions were entered into between the subsidiaries of UHL Group and Guangzhou Circle, where Guangzhou Circle sourced LNG from Dazhou Huixin and Erdos Xingxing and later supplied to Yuanheng Gas at a markup form the original selling price. Such transactions were carried out on a case by case and arms-length basis, where the LNG sourced from Guangzhou Circle are sold by Yuanheng Gas to customers introduced/referred to by Guangzhou Circle. For preparation of the financial statements purpose, these transactions were eliminated on consolidation, and the difference arose between the sales and purchases were recognised as selling expenses, which amounted to approximately RMB19.7 million.

Finance costs

The finance costs of Yuanheng Gas Group for FY2012 decreased from approximately RMB101.0 million to approximately RMB74.1 million, mainly due to the decrease in interest bearing loan advances.

Income tax expense

In view of the increase in profit before taxation, income tax expenses of Yuanheng Gas Group for FY2012 increased marginally to approximately RMB49.7 million when compared to the previous year (FY2011: approximately RMB45.9 million).

Profit for the year

Net profit of Yuanheng Gas Group for FY2012 increased by 14.7% to approximately RMB78.1 million when compared to the previous year (FY2011: approximately RMB68.1 million). The net profit was arrived at after taking into consideration "Gain on discontinuance of equity accounting for joint venture" of approximately RMB7.6 million, following the gain of control in Huaheng Energy from Guizhou Gas in December 2012 and converting Huaheng Energy from a joint venture into a non-wholly owned subsidiary of Yuanheng Gas. The net profit of Yuanheng Gas Group for FY2012 before such non-recurring gain was approximately RMB70.5 million, mainly attributable to (i) the continued improvement in the production utilisation of the LNG liquefaction plants; and (ii) the commencement of operations of LNG satellite stations and fueling stations.

Liquidity and financial resources of Yuanheng Gas Group

As at 31 December 2012, Yuanheng Gas Group had an improved net current liabilities of approximately RMB601.4 million. The current assets mainly comprised of inventories of approximately RMB29.5 million, trade and other receivables of approximately RMB162.2 million, prepaid lease payments of approximately RMB1.4

million, amount due from an associate of approximately RMB0.02 million, amount due from related parties of approximately RMB29.6 million, pledged bank deposits of approximately RMB306.6 million and cash and cash equivalents of approximately RMB208.0 million. The amounts due from related parties were mainly in respect of prepayments made for purchase of LNG as well as amounts receivables from sales of goods, which were interest-free and collectable on demand. Yuanheng Gas Group had total assets of approximately RMB1,982.5 million, current liabilities of approximately RMB1,338.6 million, non-current liabilities of approximately RMB50.8 million and shareholders' equity of approximately RMB593.1 million. Included in the current liabilities were the amounts due to related parties, comprising mainly (i) receipt in advance for sales of goods; and (ii) interest bearing loan advances (at rates ranging from 6.44% to 16% per annum).

Bank and other Borrowings of Yuanheng Gas Group

The bank borrowings of Yuanheng Gas Group are denominated in RMB. The majority of loans were granted by Industrial Bank Co., Ltd., Shanghai Pudong Development Bank and China Merchants Bank. As at 31 December 2012, the total amount of bank and other borrowings of Yuanheng Gas Group was approximately RMB666.3 million. The breakdown of the borrowings is as follows:

	As at 31 December 2012 *RMB'000*
Short-term borrowings (due within one year)	641,334
Long-term borrowings (repayable after one year)	25,000
Total bank and other borrowings	666,334

As at 31 December 2012, among the total bank borrowings of approximately RMB666.3 million, approximately RMB641.3 million of which is repayable within one year; and RMB25.0 million of which is repayable more than 1 year but not exceeding 2 years.

As at 31 December 2012, the effective interest rates per annum (which are also equal to contractual interest rates) on the Yuanheng Gas Group's bank and other borrowings ranges as follows:

Fixed-rate bank borrowings	6.50%–6.60%
Fixed-rate other borrowings	8.87%–16.00%
Floating-rate bank	6.15%–8.32%

Charges on the assets of Yuanheng Gas Group

As at 31 December 2012, the total amount of assets pledged for banking facilities (including those under finance lease) of Yuanheng Gas Group was approximately RMB1,118.0 million, which include among other things, pledge bank deposits of approximately RMB306.6 million and property, plant and equipment of approximately RMB676.1 million.

Capital expenditure and investment of Yuanheng Gas Group

The capital expenditure and investment of Yuanheng Gas Group was approximately RMB13.1 million and RMB58.8 million respectively for FY2012. The capital expenditure represented the purchase cost of property, plant and equipment, while the investment of Yuanheng Gas Group was mainly derived from the gain of control over Huaheng Energy from Guizhou Gas in December 2012.

Capital commitments

As at 31 December 2012, the capital expenditure commitments in respect of acquisition of property, plant and equipment contracted for but not provided in the financial information was approximately RMB1.3 million.

Contingent liabilities

As at 31 December 2012, the Yuanheng Gas Group has a contingent liability of RMB300 million in relation to a corporate guarantee made in favour of a financial institution in the PRC for credit facilities granted to Guangzhou Circle. The corporate guarantee was for a period of 12 months and has expired on 31 August 2013. Such guarantee was a one-off arrangement between Yuanheng Gas Group and Guangzhou Circle, who has been one of its loyal and valued customers.

Save as above, as at 31 December 2012, Yuanheng Gas Group did not have any reportable contingent liabilities.

Gearing ratio

As at 31 December 2012, the gearing ratio, which is the debt-to-equity ratio, of Yuanheng Gas Group was 1.8 (2011: 5.0).

Segment information

As at 31 December 2012, the operating segments of the Yuanheng Gas Group can be divided into two segments, namely wholesales of LNG and other operations. In particular, wholesales of LNG comprised LNG processing and LNG trading, while other operations can be divided into operations of LNG transportation and vehicle gas fuelling stations. For FY2012, the revenue from LNG processing, LNG transportation, LNG trading and vehicle gas fuelling stations was approximately RMB797.1 million, RMB66.3 million, RMB261.0 million and RMB18.9 million respectively.

For FY2012, revenue from LNG processing decreased marginally from FY2011 to approximately RMB797.2 million, after taking into consideration the increase of inter-company sales from Erdos XingXing and Dazhou Huixin to Yuanheng Gas (which was eliminated on consolidation) for its trading/sales. The gross profit margin of LNG processing increased by 3.5% compared to FY2011, mainly attributable to the increase in LNG production yield as well as the increase of LNG selling price. Meanwhile, trading revenue (from Yuanheng Gas), increased by approximately 644.9% to approximately RMB261.0 million, as Yuanheng Gas Group continued to expand its LNG trading and business network.

In June 2012, Yuanheng Gas Group further expanded its LNG distribution channel and collaborated with Heze Group and Shangdong Hongzhi and became the 51% shareholder of Heze Lujie. For FY2012, the revenue from vehicle gas fuelling stations amounted to approximately RMB18.9 million.

For FY2012, approximately 26.3%, 20.8% and 16.1% of segmental revenue from LNG wholesales were derived from sales to customers in Hebei Province, Guizhou Province and Guangdong Province respectively.

Exposure to fluctuations in exchange rates and related hedging

Yuanheng Gas Group's business transactions, assets and liabilities are principally denominated in RMB, its functional currency. Accordingly, the directors of Yuanheng Gas Group consider that Yuanheng Gas Group is not exposed to significant foreign currency risk.

Yuanheng Gas Group currently does not have a foreign currency hedging policy. However, the management of Yuanheng Gas Group continues to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Significant investment and material acquisitions and disposals

In July 2012, Yuanheng Gas subscribed the new shares of Heze Lujie at a consideration of RMB15.3 million. Since then, Yuanheng Gas is interested in 51% equity interests of Heze Lujie.

Save as disclosed above, there was no significant investment, material acquisitions or disposals by Yuanheng Gas Group for the year ended 31 December 2012.

Capital structure

In December 2012, Yuanheng Gas obtained the approval from BOFTEC for its change from a sino-foreign equity joint venture enterprise to a wholly owned foreign enterprise with the registered capital increased from RMB201,000,000 to RMB957,000,000.

As at 31 December 2012, the paid-in capital of Yuanheng Gas was RMB351,596,500.

Employees and remuneration policies

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specified percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees.

As at 31 December 2012, total expense of approximately RMB4.6 million, was in respect of contributions payable to the abovementioned plans by the Yuanheng Gas Group at rates specified under the rules of the respective plans.

As at 31 December 2012, Yuanheng Gas Group had approximately 585 employees (31 December 2011: 540). 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.

III. For the year ended 31 December 2013

Revenue

The revenue of Yuanheng Gas Group for year ended 31 December 2013 was amounted to approximately RMB1,832.5 million, represented an increase of 60.3% when compared with that of approximately RMB1,143.3 million of FY2012. It was mainly driven by the steady increase in LNG production yield in the two liquefaction plants as well as the increase in sales from LNG distribution.

Sales to customers of Dazhou Huixin and Erdos Xingxing are usually made with down payment upon signing of the supply contract and payment in advance before the delivery of the LNG. The down payment is often regarded as the deposit, whilst the remaining balance is accounted as payment in advance for LNG to be supplied.

Cost of sales

The cost of sales of Yuanheng Gas Group for the year ended 31 December 2013 increased by 64.9% to approximately RMB1,458.2 million when compared to the previous year (FY2012: approximately RMB884.4 million). The change was in line with the increase in revenue of Yuanheng Gas Group.

Payments for natural gas by Yuanheng Gas Group to its suppliers are made monthly in advance either in the form of cash or bills payable. For the year ended 31 December 2013, the purchase cost of gas accounted for approximately 54.5% of Yuanheng Gas Group's cost of sales.

Other income

Other income mainly represents the interest income from banks and a non-controlling equity owner of subsidiaries and a former equity owner of subsidiaries. Based on shareholders resolutions of Erdos Xingxing and Dazhou Huixin, the amounts due from the non-controlling shareholder and former shareholder are interest bearing at rates ranging from 9.6% to 12% per annum.

Other income of Yuanheng Gas Group for the year ended 31 December 2013 was approximately RMB13.7 million and no material fluctuation when compared to the previous year (FY2012: approximately RMB14.1 million).

Administrative expenses

The administrative expenses of Yuanheng Gas Group for the year ended 31 December 2013 increased by 25.2% to approximately RMB65.8 million when compared to the previous year (FY2012: approximately RMB52.5 million). It was mainly due to the maintenance of the liquefaction plants and the increased in administrative costs on the LNG satellite stations and fueling stations.

Distribution and selling expenses

The distribution and selling expenses of Yuanheng Gas Group for the year ended 31 December 2013 was approximately RMB34.8 million, represented an increase of approximately 32.6% from the preceding year. The increased was mainly driven by the rising transportation cost due to the increase in LNG sales volume as well as certain arrangements with new customers for transportation of LNG from the two liquefaction plants.

During the year ended 31 December 2013, transactions were entered into between the subsidiaries of UHL Group and certain trading suppliers such as Marcolink Group and Guangzhou Circle, where such suppliers sourced LNG from Dazhou Huixin and Erdos Xingxing and later supplied to Yuanheng Gas at a markup on the original selling price. Such transactions were carried out on a case by case and arms-length basis, where the LNG sourced from such suppliers are sold by Yuanheng Gas to customers introduced/referred to by those suppliers.

For preparation of the financial statements purpose, these transactions were eliminated on consolidation which reduced the revenue and cost of sales of Yuanheng Gas Group by approximately RMB122.4 million and RMB125.2 million respectively, and the difference arose between the sales and purchases were recognized as selling expenses, which amounted to approximately RMB2.8 million.

Finance costs

The finance costs of Yuanheng Gas Group for the year ended 31 December 2013 decreased by 35.8% to approximately RMB47.6 million when compared to the previous year (FY2012: approximately RMB74.1 million). It was mainly due to the decrease in interest bearing loan advances.

Income tax expense

Income tax expenses of Yuanheng Gas Group for the year ended 31 December 2013 increased by 20.6% to approximately RMB59.9 million when compared to the previous year (FY2012: approximately RMB49.7 million) and it was in line with the increase of profit before taxation.

Profit for the year

Net profit of Yuanheng Gas Group for the year ended 31 December 2013 increased by 130.3% to approximately RMB179.8 million when compared to the previous year (FY2012: approximately RMB78.1 million). This was mainly due to the increase in LNG sales and distribution.

Liquidity and financial resources of Yuanheng Gas Group

As at 31 December 2013, Yuanheng Gas Group had improved its net current liabilities at approximately RMB420.7 million. The current assets mainly comprised of inventories of approximately RMB26.0 million, trade and other receivables of approximately RMB389.2 million, prepaid lease payments of approximately RMB1.4 million, amounts due from related parties of approximately of RMB84.4 million, short term investment of approximately RMB46.0 million, pledged bank deposits of approximately RMB217.8 million and cash and cash equivalents of approximately RMB76.9 million. The amounts due from related parties were mainly in respect of prepayments made for purchase of LNG as well as amounts receivables from sales of goods, which were interest-free and collectable on demand. Yuanheng Gas Group had total assets of approximately RMB2,119.8 million, current liabilities of approximately RMB1,262.6 million, non-current liabilities of approximately RMB86.3 million and shareholders' equity of approximately RMB770.9 million. Included in the current liabilities were the amounts due to related parties, comprising mainly (i) receipt in advance for sales of goods; (ii) payable to a non-controlling shareholder of a subsidiary for purchase of LNG.

As at 31 December 2013, among the current liabilities, the amount due to a former non-controlling equity owner of approximately RMB47 million was in respect of consideration payable by Yuanheng Gas for the acquisition of 39% equity interest in Erdos Xingxing and Dazhou Huixin. Since the former non-controlling equity owner owes Erdos Xingxing, Dazhou Huixin and Yuanheng Gas an aggregate amount of approximately RMB74.5 million as at 31 December 2013, UHL Group has subsequently reached an agreement with the former non-controlling shareholder to settle the consideration payable by assigning part of the debts due to UHL Group. As advised by the management of UHL Group, relevant parties are currently finalising the legal agreements regarding the settlement arrangement.

Bank and other borrowings of Yuanheng Gas Group

The bank borrowings of Yuanheng Gas Group are denominated in RMB. The majority of loans were granted by Ping An Bank, Industrial Bank Co., Ltd., Shanghai Pudong Development Bank and China Merchants Bank. As at 31 December 2013, the total amount of bank and other borrowings of Yuanheng Gas Group was approximately RMB703.7 million. The breakdown of the borrowings is as follows:

	As at 31 December 2013 *RMB'000*
Short-term borrowings (due within one year)	641,658
Long-term borrowings (repayable after one year)	62,000
Total bank and other borrowings	703,658

As at 31 December 2013, among the total bank borrowings of approximately RMB703.7 million, approximately RMB641.7 million of which is repayable within one year; RMB29.0 million of which is repayable more than 1 year but within 2 years; RMB18.0 million of which is repayable more than 2 years but not exceeding 5 years; and RMB15 million of which is repayable more than 5 years.

As at 31 December 2013, the effective interest rates per annum (which are also equal to contractual interest rates) on the Yuanheng Gas Group's bank and other borrowings ranges as follows:

Fixed-rate bank	6.50%–7.84%
Fixed-rate other borrowings	6.12%–7.79%
Floating-rate bank borrowings	6.15%–8.10%

Charges on the assets of Yuanheng Gas Group

As at 31 December 2013, among other things, pledged bank deposits of approximately RMB217.8 million and property, plant and equipment of RMB724.4 million were pledged as collaterals for banking facilities granted to Yuanheng Gas Group. Total asset pledged for banking facilities amounted to approximately RMB1,020.4 million.

Contingent liabilities

As at 31 December 2013, Yuanheng Gas Group did not have any reportable contingent liabilities.

Capital expenditure and investment of Yuanheng Gas Group

Capital expenditure for purchase of property, plant and equipment amounted to approximately RMB62.3 million for the year ended 31 December 2013. These expenditures were mainly incurred for the expansion of LNG distribution business of Huaheng Energy.

Capital commitments

As at 31 December 2013, the capital expenditure commitments in respect of acquisition of property, plant and equipment contracted for but not provided in the financial information was approximately RMB1.0 million.

As at 31 December 2013, there is no capital expenditure in respect of acquisition of property, plant and equipment authorised for but not contracted in the financial information.

Gearing ratio

As at 31 December 2013, the gearing ratio of Yuanheng Gas Group was 1.0 (31 December 2012: 1.8).

Segment information

As at 31 December 2013, the operating segments of the Yuanheng Gas Group can be divided into two segments, namely wholesales of LNG and other operations. In particular, wholesales of LNG comprised LNG processing and LNG trading, while other operations can be further divided into operations of LNG transportation, vehicle gas fuelling stations and LNG satellite station. For FY2013, the revenue from LNG processing, LNG transportation, LNG trading, vehicle gas fuelling stations and LNG satellite station was approximately RMB1,036.4 million, RMB52.7 million, RMB561.4 million, RMB44.9 million and RMB137.0 million respectively.

For the year ended 31 December 2013, revenue from LNG processing amounted to approximately RMB1,036.4 million, represented an increase of 30.0% as compared to FY2012. It was mainly driven by the steady increased in the LNG production yield of the two liquefaction plants,resulting the increase in sales from LNG distribution. Revenue from LNG trading amounted to approximately RMB561.4 million, represented an increase of 115.1% as compared to FY2012.

For the year ended 31 December 2013, revenue from gas fuelling stations was amounted to approximately RMB44.9 million, as compared to RMB18.9 million of FY2012. The segment revenue of the fueling station for period up to 31 December 2012 may not be representative of the segment performance as the financial performance of HezeLujie was only consolidated to Yuanheng Gas Group commencing June 2012.

For the year ended 31 December 2013, approximately 22.6%, 21.9% and 15.6% of segmental revenue from LNG wholesales were derived from sales to customers in Hebei Province, Hubei Province and Shangdong Province respectively.

For the year ended 31 December 2013, the gross profit margin of LNG processing was approximately 30.1% and no material fluctuation when compared to the previous year (FY2012: approximately 30.5%). The gross profit margin of LNG trading however, increased to approximately 6.4% following its continued effort in expanding its trading network.

Exposure to fluctuations in exchange rates and related hedging

Yuanheng Gas Group's business transactions, assets and liabilities are principally denominated in RMB, its functional currency. Accordingly, the directors of Yuanheng Gas Group consider that Yuanheng Gas Group is not exposed to significant foreign currency risk.

Yuanheng Gas Group currently does not have a foreign currency hedging policy. However, the management of Yuanheng Gas Group continues to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Significant investment and material acquisitions and disposals

Yuanheng Gas established Guizhou Huayuan in June 2013. The registered capital of Guizhou Huayuan is RMB22.8 million. In July 2013, Guizhou Huayuan cooperated with Guizhou Gas and Guizhou Agricultural and established Guizhou Gas Pipelines in which Guizhou Huayuan holds 20% shareholding. The registered capital of Guizhou Gas Pipeline is RMB150 million.

Save as disclosed above, there was no significant investment, material acquisitions or disposals by Yuanheng Gas Group for the year ended 31 December 2013.

Capital structure

As at 31 December 2013, the paid-in capital of Yuanheng Gas was RMB351,596,500.

Employees and remuneration policies

According to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are required to contribute a specified percentage of the payroll of their employees to retirement benefit schemes to fund the retirement benefits of their employees.

As at 31 December 2013, total expense of approximately RMB5.2 million, was in respect of contributions payable by the Yuanheng Gas Group at rates specified under the rules of the respective retirement benefit schemes.

As at 31 December 2013, Yuanheng Gas Group had approximately 575 employees (31 December 2012: 585). 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.

The Board has considered all the risk factors in relation to the Acquisition and the business and operation of UHL Group as listed below and is of the view that such risks are relatively low and would not affect the Enlarged Group after the Acquisition. The Company will continue to adopt the ongoing control measures as implemented by UHL Group and will identify other effective measures to minimise such risks.

RISK RELATING TO THE ACQUISITION

Successful completion of the Acquisition

A number of the conditions precedent to completion of the Acquisition as set out in the paragraph headed "Conditions Precedent" in the letter from the Board of this circular involve, among other things, the approvals by the Shareholders at the SGM of the Company and the granting of the listing approval of the Consideration Shares by the Stock Exchange. As fulfillment of such conditions precedent is not within the control of the parties involved in the Acquisition, there is no assurance that the Acquisition will be completed in a timely manner as contemplated, or at all.

Accuracy of the information and statistics relating to the energy industry and market

This circular contains information and statistics relating to the energy industry and market. With respect to information and statistics derived from various government or official sources and publications and commissioned reports, while the Enlarged Group have exercised reasonable care in compiling and reproducing such information and statistics, they have not been independently verified by us or any of our affiliates or advisers or any other parties involved in the Acquisition or their respective affiliates or advisers. Such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Further, there is no assurance that such information and statistics are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other countries. None of the Company nor any other parties involved in the Acquisition makes any representation as to the accuracy or completeness of such information. Shareholders and prospective investors should not place undue reliance on any of such information and statistics contained in this circular.

Enforcement of the deed of indemnity to be executed by the Vendor in favour of the Purchaser and/or UHL Group

As mentioned in the paragraph headed "Legal proceedings and compliances" in the section headed "Business of UHL Group" of this circular and the risk factor headed "Certain title documents and permits in respect of certain lands occupied by UHL Group have not been obtained" below, the Vendor has agreed to execute a deed of indemnity effective upon Completion in favour of the Purchaser and/or UHL Group to keep UHL Group indemnified against loss of profit and business, penalties and fines and losses and damages which may be suffered by UHL Group as a result of and in connection with, among other things, the Arbitration (if any), the Huaheng Compliance Issue and the Lujie Compliance Issue.

RISK RELATING TO THE INDUSTRY

Seasonality

UHL Group's revenue is derived from sales, distribution and trading of LNG. The demand for LNG from residential, commercial and industrial users is seasonal. According to the previous records of UHL Group, the sales volume of LNG was particularly higher in winter. These patterns reflect the higher demand for LNG for heating purposes during winter. UHL Group's revenue and results of operations, in particular, the distribution and trading of LNG, are therefore subject to seasonality.

Public safety

Due to the flammable nature of natural gas, the storage and transportation of natural gas require high safety measures to prevent leakage or accidents. Occurrence of natural disasters or industry related accidents may arise public safety concern. Natural disasters, for example, an earthquake in any of the operating cities of UHL Group may cause destruction of, or damage to, the pipelines and a leak of natural gas and/or LNG. Natural disasters may also cause interruptions in operations of UHL Group that could have a material adverse impact on its reputation, business and financial condition.

However, those are inherent risks for all business operations and UHL Group has implemented stringent measures to lower the risk of accidents associated with LNG production and transportation process. Furthermore, UHL Group has undertaken property insurance covering all its assets (including properties and equipment) and third-party liability insurance and considers the coverage is sufficient to safeguard its assets.

Pricing

The prices of natural gas are subject to the approval of the Commodity Price Bureau of the PRC (excluding LNG/natural gas sold to industrial users). According to The Chinese Pricing Act (《中華人民共和國價格法》), gas product suppliers are entitled to determine the price of natural gas products to retail customers, subject to the ceiling prices imposed by the local governments. Since most of UHL Group's customers are industrial users, UHL Group won't be directly affected by any prices adjustment imposed by the local government.

Competition with other alternative energy sources

Coal, petroleum and liquefied petroleum gas ("**LPG**") are the main substitutes for natural gas and LNG. End-users will consider certain factors such as cost, reliability, convenience, environmental friendliness and safety when choosing a form of energy. Connection fees, gas usage charges and heat content are also factors customers may consider. If the price increase of natural gas/LNG is relatively greater than that of the alternative energy, the existing natural gas users may shift to use other forms of fuel, and therefore the demand for UHL Group's LNG and the profitability of UHL Group may be adversely affected.

In addition, alternative fuels, such as fuel oil and LPG, are currently used when and where natural gas supply is unavailable or is interrupted. They are continued to be considered as substitutes for natural gas. No assurance can be given that future increases in natural gas prices or reductions in the prices of alternative fuels will not eventually cause these alternative fuels to be more attractive to users and thereby affecting UHL Group's financial condition, operations results or prospects for future growth.

RISK RELATING TO UHL GROUP

Reliance on the two key suppliers

UHL Group has entered into natural gas supply arrangements with its two key suppliers and the purchased pipelined gas accounted for approximately 99.3%, 98.7% and 99.4% of total raw materials and consumables used for each of the three financial years ended 31 December 2013 respectively. If UHL Group is unable to obtain timely supply of natural gas from those suppliers, UHL Group may need to seek alternative suppliers for natural gas in a relative short time period. However, as disclosed in the section headed "Business of UHL Group" above, each of Dazhou Huixin and Erdos Xingxing has entered into natural gas supply agreements with such two suppliers to secure supply of natural gas to Huixin Plant and Erods Plant. In the event UHL Group obtains natural gas from other suppliers on different terms or with material interruption, the supply of natural gas to the end users may be affected, which may have adverse effect on UHL Group's results of operation, financial condition and customer relationship.

As discussed in the paragraph headed "Supply of natural gas" in the section headed "Business of UHL Group", Erdos Xingxing has entered into a natural gas supply agreement with the SOE2 for a term up to 31 December 2014 and the natural gas supply agreement with the SOE2 is renewable on annual basis. As Erdos Xingxing has maintained a long term business relationship with the SOE2 since 2008, and given the Natural Gas Quota granted by the relevant authority, the management of Yuanheng Gas Group expects that there is no foreseeable difficulty to renew the natural gas supply agreement in the future.

Joint venture operation

UHL Group entered into cooperative agreements with several PRC enterprises to form joint ventures for the operation of the LNG satellite stations, the LNG fueling station, the logistics companies and natural gas pipeline business in the PRC. Any failures or delays of joint venture partners in fulfilling their respective obligations and responsibilities pursuant to the cooperative agreements may interrupt the operations of the LNG satellite stations, the LNG fueling stations, the logistics companies and natural gas pipeline project, which may adversely affect UHL Group's results of operation, financial condition and reputation.

Therefore, UHL Group has exercised extra cautions when choosing joint venture partners. Most of the joint venture partners of UHL Group are state-owned enterprises with well-established operations and they maintained long term business relationship with UHL Group. The management of UHL Group considers that the possibility of the failures or delays of joint venture partners in fulfilling their respective obligations and responsibilities is low.

Increase in cost

If there is a shortage of labour or for any reason the labour cost in the PRC in which UHL Group's LNG are manufactured rises significantly, the cost of sales and distribution of UHL Group's products is likely to increase. This may in turn affect the selling prices of UHL Group's LNG, which may then affect the demand of such products and thereby adversely affect UHL Group's sales and financial condition. Increase in costs of other components required for production and transportation of LNG may cause similar adverse effects. Furthermore, UHL Group may not be able to pass on the increased cost to consumers by increasing the selling prices of its LNG products in light of competitive pressure in the markets where it operates. In such circumstances, UHL Group's profit margin may decrease and its financial results may be adversely affected. The major raw material consumed in the liquefaction process is natural gas. Fluctuation of natural gas prices may increase our liquefaction costs. In addition, the ability to pass increased energy costs along to the customers may be limited by pressures from competition and customer resistance. There is no assurance that the Enlarged Group will be able to pass any increased cost to its customers. UHL Group will closely monitor its operation costs and adjust the cost structure on a timely manner to minimise the impact of any changes in production and transaction costs.

Significant capital and financing requirement along with the business expansion plan

As mentioned in the paragraph headed "Business development" in the section headed "Business of UHL Group" in this circular, as part of the development plan of UHL Group, it will continue business expansion through, among other things, construction of a new LNG storage facilities and LNG satellite stations. UHL Group's operating cash flows may be adversely affected by a variety of competitive, macro-economic and other related factors beyond its control. UHL Group's ability to make capital expenditures and complete the aforementioned construction depends on its ability to maintain adequate cash inflows from operating activities and proceeds from external financing. In the event that UHL Group is unable to generate sufficient cash flows from its operations to meet the demand from its operating and capital expenditures, its operations will have to be funded by other financing activities. Moreover, UHL Group's debt servicing and other fixed payment obligations could in turn divert the cash flows from its operations and planned capital expenditures, and the finance costs associated with such debt obligations could materially and adversely affect UHL Group's ability to generate profits in the future.

As the business developments of UHL Group will mainly be financed by internal resources capital contribution by joint venture partners and existing bank facilities available to the Enlarged Group, the Board, following Completion, will closely monitor the financial performance of the Enlarged Group and may adjust the development plans of UHL Group as and when appropriate.

Certain title documents and permits in respect of certain lands occupied by UHL Group have not been obtained

(i) UHL Group obtained the land use rights in respect of a parcel of land situated at Xiaoqingwan Village, Nalinhe Town, Erdos City, Inner Mongolia Autonomous Region, the PRC with a site area of approximately 132,800.13 square metres (the "**Erdos Land**"). Various blocks of single to four-storey buildings were erected on the Erdos Land for LNG processing purpose. UHL Group occupied these buildings erected on the Erdos Land but the relevant building ownership certificates had not been obtained. There is no assurance that these relevant building ownership certificates will be successfully obtained. UHL Group has applied for the building ownership certificates in respect of these buildings erected on the Erdos Land. As advised by the PRC Legal Adviser, there will not be legal obstacle to obtain these relevant building ownership certificates.

(ii) UHL Group obtained the land use rights in respect of a parcel of land situated at Southern side of Changcheng Road and Western side of Nanjing Road, Heze City, Shandong Province, the PRC with a site area of approximately 6,399.30 square metres (the "**Heze Land**"). Various storage tanks, a gas station and ancillary structures were erected on the Heze Land and UHL Group occupied these structures as a LNG station. However, UHL Group had not obtained construction works commencement permits before construction of these structures and did not obtain building ownership certificates thereafter. There is no assurance that these relevant permits and/or building ownership certificates will be successfully obtained. UHL Group has applied for the construction works commencement permits and the building ownership certificates in respect of these structures. As provided by the PRC Legal Adviser, there will not be legal obstacle to obtain the construction works commencement permits and the building ownership certificates.

(iii) UHL Group operated a LNG distribution station in a parcel of land situated at Wine Industrial Park, Rongchangba production Park, Renhuai City, the PRC. Relevant land use rights certificates, construction works commencement permit and building ownership certificate in respect of these land and buildings have not been obtained. There is no assurance that these relevant permits and/or building ownership certificates will be successfully obtained. UHL Group has applied for these land use rights, building ownership certificates and permits. As advised by the PRC Legal Adviser, UHL Group will be subject to a penalty up to RMB400,000 in obtaining the building ownership certificate. Save for the aforesaid, there will not be legal obstacle to obtain the land use rights certificates, construction works commencement permit and building ownership certificate.

(iv) UHL Group currently occupies a piece of land located at Caijiagou, Nanao Community, Moutai Town, Renhuai City, Guizhou Province, the PRC ("**Caijiagou Land**") temporarily designated by the PRC Government of Renhuai City and operate a LNG storage station. UHL Group has not obtained any land use right certificate, and has no land use right, on the Caijiagou Land. As advised by the PRC Legal Adviser, since the Caijiagou Land was temporarily designated to UHL Group without any time period by the PRC Government of Renhuai City, the business operation of UHL Group on the Caijiagou Land was protected. Nevertheless, there is no assurance that UHL Group can continue to occupy the Caijiagou Land in the long run. In the event of relocation of LNG storage station, the PRC Government of Renhuai City will designate another suitable land for UHL Group's long term use and UHL Group may have to bear relocation costs of approximately RMB500,000.

(v) UHL Group currently occupies a piece of land located at Yanjin Meiziao, Moutai Town, Renhuai City, Guizhou Province, the PRC ("**Yanjin Land**") designated by the PRC Government of Renhuai City without any time period for the future construction and operation of a LNG storage station. As at the Latest Practicable Date, the PRC Government of Renhuai City has not completed the expropriation of the Yanjin Land and accordingly, UHL Group has not obtained any land use right certificate, and has no land use right, on the Yanjin Land. As advised by the PRC Legal Adviser, since the responsibility to expropriate the Yanjin Land rests on the PRC Government of Renhuai City and the Yanjin Land was designated to UHL Group by the PRC Government of Renhuai City, such expropriation and the absence of land use right certificate will not adversely affect the future business operation of UHL Group on the Yanjin Land. Nevertheless, there is no assurance that UHL Group can continue to occupy the Yanjin Land in the long run. In the event of expropriation failure, the PRC Government of Renhuai City will designate another suitable land for UHL Group's long term use. In the meantime, UHL Group has located a more suitable land for the future construction and operation of a LNG storage station at Jiaotong Ba, Maotai Town, Renhuai City, Guizhou Province, the PRC ("**Jiaotong Ba Land**"). UHL Group had applied to the PRC Government of Renhuai City to obtain Jiaotong Ba Land for the future construction and operation of a LNG storage station on 12 July 2013 and the application is currently in process. There is no assurance that the application will be approved. In the event that such application is not approved, UHL Group may need to withhold the future construction and operation of a LNG storage station pending the completion of the expropriation of the Yanjin Land or until a more suitable land is located and granted.

Details of the property interests held and occupied by UHL Group are set out in Appendix IV to this circular.

Certain compliance issues regarding employee housing provident fund (住房公積金) contributions and PRC social insurance (社保)

(i) The management of Yuanheng Gas confirmed that it has made sufficient housing provident fund contributions and PRC social insurance for its staff. However, it was noted that approximately RMB700,000 was made in cities (other than Guangzhou) where the accounts of the relevant personnel were registered in. The PRC Legal Adviser advised that although it is not an uncommon situation in the PRC, according to relevant PRC laws and regulations, the relevant authorities may still request Yuanheng Gas to settle the contributions made in other cities within a prescribed period.

(ii) Heze Lujie and Huixin Logistics were unable to make employee housing provident fund contributions as the relevant authority has yet to set up the registration office(s) in the relevant cities where these two companies are registered in. Heze Lujie and Huixin Logistics have set aside sufficient funds for the unpaid housing provident fund and will make the housing provident fund contributions for the benefits of its employees in full once the relevant authority provide such registration service.

In relation to the aforesaid title defects of certain lands occupied by UHL Group and compliance issues regarding housing provident fund contributions and PRC social insurance, the Vendor has agreed to execute a deed of indemnity effective upon Completion in favour of the Purchaser and/or UHL Group to keep UHL Group indemnified against all loss of profit and business, penalties and fines and all losses and damages which may be suffered by UHL Group as a result of and in connection with, among other things, the title defects inherent in the aforementioned land and properties and employee housing provident fund or PRC social insurance contribution issues.

RISKS RELATING TO THE ENLARGED GROUP

Dependence on continual and successful operation and growth of UHL Group

UHL Group will become operating subsidiaries of the Company upon Completion. The Group has scaled down its EMS business and shifted its business focus to trading of oil and gas products since the year ended 31 March 2012. Accordingly, upon Completion, results of operations, financial condition and business prospects of the Enlarged Group will depend substantially on those of UHL Group and may be materially and adversely impacted if UHL Group is not able to maintain its operations and growth of its business.

Reliance on key management and employees of UHL Group

The past success of UHL Group has been largely dependent on its key management personnel. Details of the key management team of UHL Group are set out in the section headed “Senior management of UHL Group” of this circular. In particular, the daily operation and strategic planning of UHL Group to a large extent depend on the technical know-how and managerial experience of its key management team.

The continual growth of the business of UHL Group depends on the retention of its existing key management personnel and the recruitment of additional personnel. It cannot be assured that its existing personnel will remain employed within UHL Group. If UHL Group loses any member of its key management personnel and fails to find a suitable replacement, the current operations and future growth prospects of UHL Group may be harmed.

RISK RELATING TO THE PRC

The political, economic and social conditions of the PRC

The economy of the PRC differs from the economies of most developed countries in many respects, including its structure, level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

The economy of the PRC has been transitioning from a planned economy to a more market oriented economy. In the past two decades, the PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of the PRC. In addition, the PRC Government continues to play a significant role in regulating industries by imposing industrial policies.

UHL Group is unable to predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on its current or future business, financial results or financial condition.

Interpretation of PRC laws and regulations and the current legal environment in the PRC

Yuanheng Gas Group's business is conducted in the PRC and is governed by PRC laws and regulations. All of Yuanheng Gas Group's subsidiaries and associates are located in the PRC and are subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the judicial and enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial acquisition, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by whom an application or case is presented to such agency, UHL Group may receive less favourable interpretation of laws and regulations than its competitors. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

OVERVIEW OF NATURAL GAS INDUSTRY IN THE PRC

The advantages of the use of LNG

In recent years, global warming and the unstable climate models have drawn the attention on global environmental problems caused by air pollution. As a result, many countries have devoted more resources to protect the environment. Having considered that natural gas only generates half of the carbon dioxide emission and almost zero sulfur emission when compared to conventional coal, while at the same time all government, especially the PRC government, has committed to reduce pollution, it is expected that natural gas will become the fastest growing fossil fuel. The International Energy Agency ("**IEA**") estimated that natural gas will become the world's second largest source of energy in 2035, surpassing coal.

Energy is of vital importance for the human beings' survival and development. To change the way of energy production and consumption, to adjust and enhance energy structure and to build a safe, stable, economical and clean energy-driven production system are strategically important to ensure that the economy and society can develop in a sustainable manner. Natural gas could be considered as the most environmental-friendly fossil fuel because it has the lowest carbon dioxide emissions per unit of energy, while maintains a higher heating value than other fossil fuels. Natural gas has gradually become an important source of fuels because it is clean, inexpensive and safe when compared to other sources of fuels. LNG is natural gas that has been converted to liquid form for the ease of storage and transport. LNG takes up much less space than gaseous natural gas, allowing it to be transported much more efficiently. LNG is an odorless, non-toxic and non-corrosive liquid, and if spilled, would not result in a slick. Absence of an ignition source, LNG evaporates and disperses quickly, leaving no residue. Natural gas is transported in form of LNG to the market, where LNG is regasified and distributed as pipeline natural gas. It can be used for a variety of purposes including but not limited to electricity generation, heating and cooling and natural gas vehicle fuels.

As a low-cost, steady, accessible, and long-term supply of energy, natural gas acts as a catalyst for the global steel industry which energy accounts for up to 40% of the cost of the finished products. In the PRC, energy-intensive industries such as steel, non-ferrous metals, construction materials and chemicals represent approximately half of the total energy consumption and have high consumption level per unit of output.

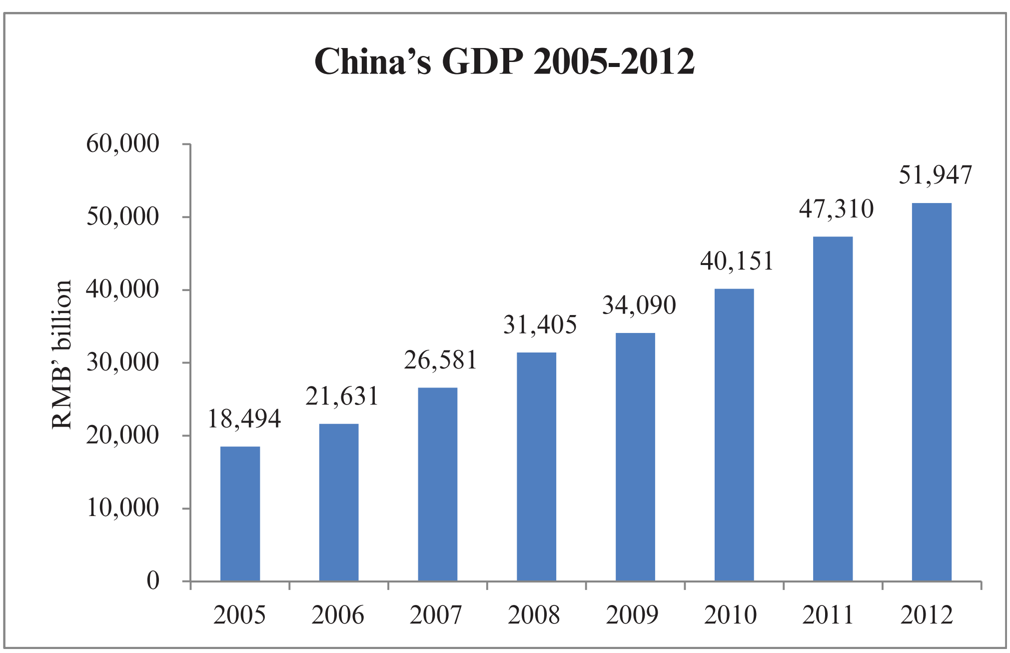
The PRC energy policy

On 1 January 2013, the PRC government issued the Twelfth Five Year Plan for Energy Development ("**Plan for Energy Development**"), clearly expressing the goal of diversification through promoting the use of clean and low-carbon fossil and non-fossil fuels, advancing efficient and clean use of coal, phasing out conventional energy consumption with the help of science, and speeding up the optimisation of the energy production and consumption structures. The government is also determined to protect the environment by advocating for green and low-carbon development, coordinating the exploitation of resources and protection of the ecosystem, balancing protection and development, and fostering an energy development model that caters to both ecological and civilisation development.

To achieve the goal of the Plan for Energy Development, it involves increasing the proportion of non-fossil fuel consumption and installed non-fossil fuel power generators to 11.4% and 30%, respectively, raising the share of natural gas in primary energy consumption to 7.5% by 2015, and reducing the consumption of coal to approximately 65% share by 2015. It is expected that all sources of gas supply including domestic production as well as imports of LNG and pipeline gas will be necessary in order to satisfy the demand level by 2015.

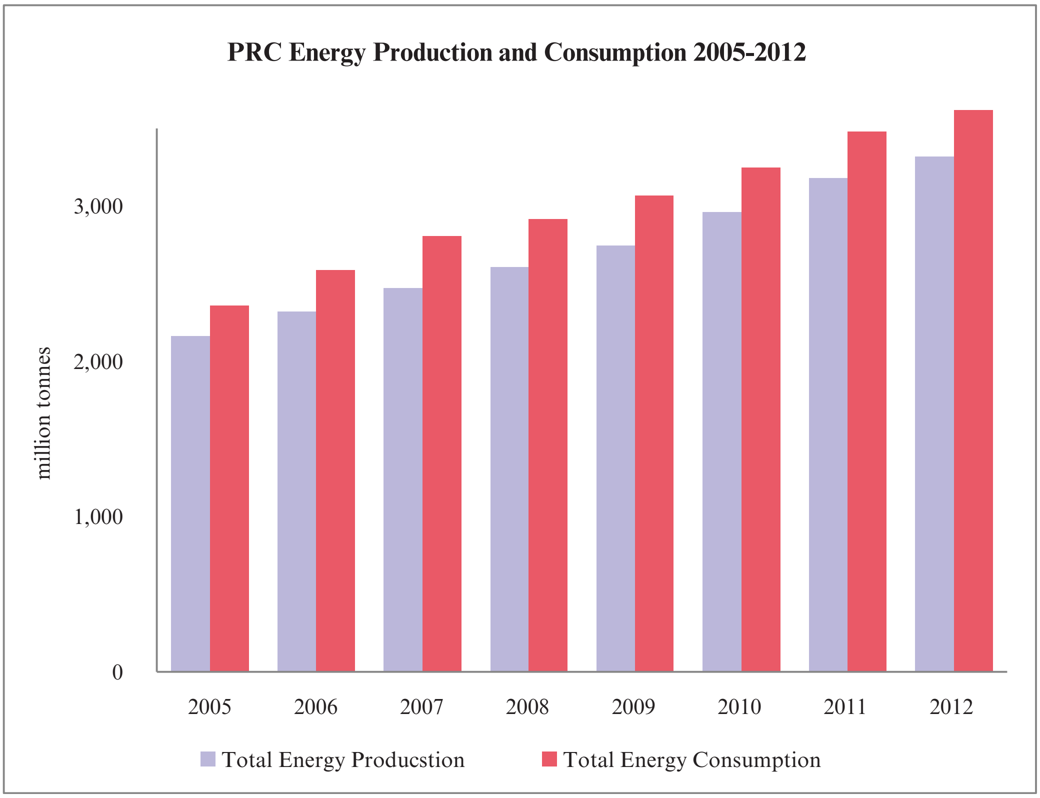
The PRC's economy and energy market

According to the National Bureau of Statistics of China ("**NBSC**"), the PRC's GDP has grown from approximately RMB18,494 billion in 2005 to approximately RMB51,947 billion in 2012, representing a CAGR of approximately 15.90%.



Source: NBSC

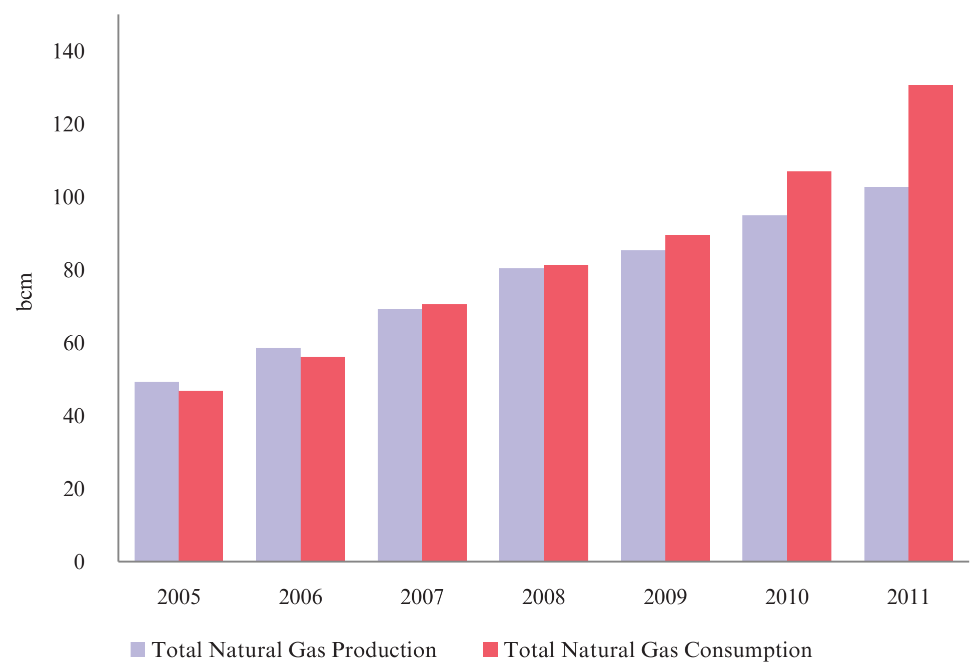
Because of the rapid industrialisation of the country supporting the high speed economic growth, the PRC's annual energy consumption has grown from approximately 2,360 million tonnes in 2005 to approximately 3,617 million tonnes in 2012. However, as illustrated in the chart below, the energy production of the PRC always lagged behind the country's energy consumption during the period from 2005 and 2012.



Source: NBSC

In particular, the PRC's annual natural gas consumption has grown from approximately 46.8 bcm in 2005 to approximately 130.5 bcm in 2011, represented a CAGR of approximately 18.7%. In addition, as illustrated in the chart below, the natural gas production of the PRC has lagged behind the country's natural gas consumption since 2007 and the discrepancy has been widening since then.

PRC Natural Gas Production and Consumption 2005-2011



Source: NBSC

* *The information for the year 2012 is not available as at and up to the Latest Practicable Date.*

The year of 2012 was critical to the Plan for Energy Development. According to the 2012 Domestic Economy and Social Development Statistics Report of the PRC, the total energy consumption in 2012 reached 3.62 billion tonnes of standard coal, increased by 3.9% over 2011. The consumption of coal, crude oil, natural gas and electricity in 2012 grew by 2.5%, 6.0%, 10.2% and 5.5%, respectively as compared to that in 2011.

Although the world's major economies are still under the shadow of European Debt Crisis and the US fiscal cliff, it is expected that the PRC's GDP will maintain a growth of around 7.5% for 2013 under the direction of Central Government of the PRC. In order to sustain a fast pace of economic growth, it is essential for the PRC to secure its energy safety through the development of alternative fuels.

Natural gas reserve and production

According to 第二輪油汽評估結果 (Second Oil and Gas Reserve Assessment*) carried out by 地質礦產資源部門 (Geological and Mineral Resources Department*), natural gas reserves in the PRC are estimated to be approximately 38,000 bcm with approximately 30,000 bcm onshore and 8,000 bcm offshore. These estimated reserves are sufficient for 74 to 120 years of the PRC's consumption based on the current consumption level. However, since the energy reserves in the PRC is underexplored and has substantial coal reserves (with coal-bed methane), it is likely that reserves are much higher than currently estimated, with the majority of the reserves lying in the far western region. Natural gas reserves in the PRC are mainly owned by several state-owned enterprises.

Pursuant to "BP Statistical Review of World Energy 2013" made by BP Plc, the domestic production of natural gas in the PRC increased from approximately 49.3 bcm in 2005 to approximately 107.2 bcm in 2012, representing a CAGR of approximately 11.7%. In addition, the import of natural gas of the PRC was approximately 41.4 bcm in 2012.

Natural gas infrastructure in the PRC

The PRC's major natural gas deposits lie in three giant basins, namely the Tarim Basin in Northwest China, the Erdos Basin in North China (including Inner Mongolia) and the Sichuan Basin in Southwest China. However, the eastern coastal, the central and southern parts of the PRC, which are economically developed regions with limited natural gas reserves, are major consumers of natural gas. In order to develop the natural gas industry, it is essential that the necessary gas delivery infrastructure be in place so that natural gas is easily accessible for distribution to end users.

The principal method for transportation of natural gas from source to end users within the PRC has been by the use of pipelines. However, the pipeline transportation is from point to point and any expansions to distribution point will require the construction of new pipelines and the application for government licence. In order to improve the geographical flexibility of natural gas transportation, the energy enterprises in the PRC started to adopt an alternative delivery method through the liquefaction of natural gas into LNG and deliver LNG to end users by trucks.

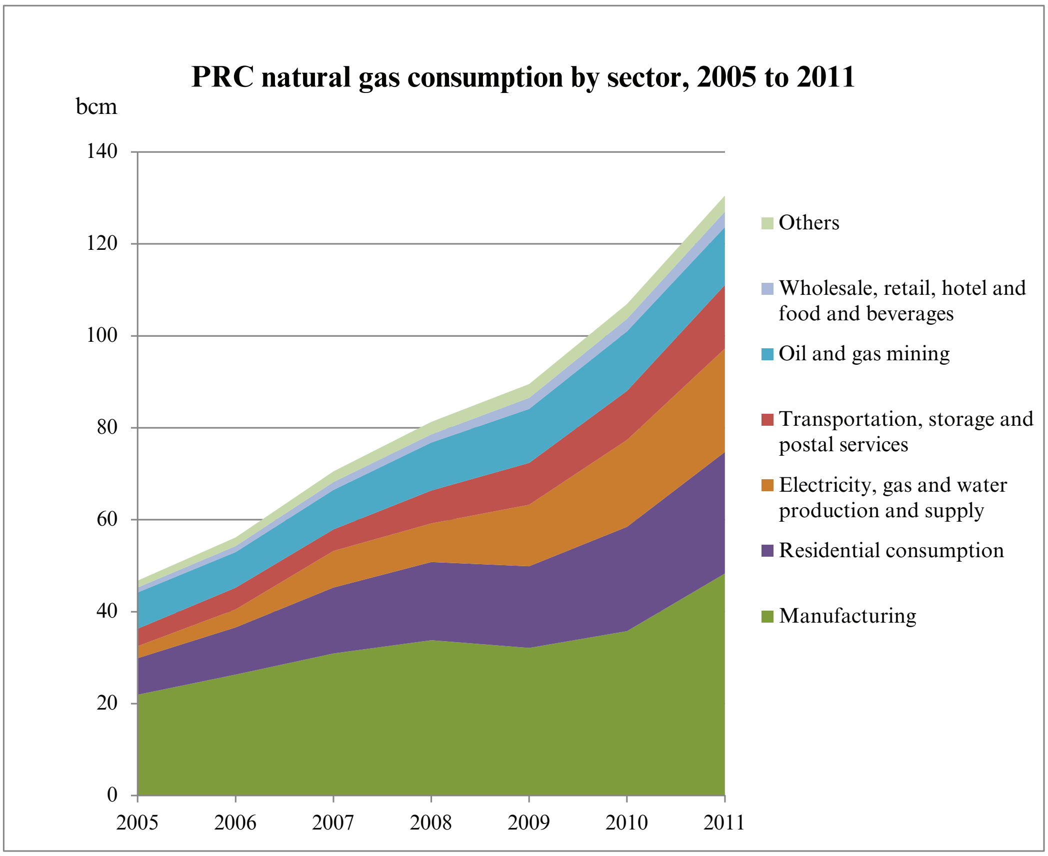
At present, the major gas pipeline network in the PRC comprises the First West-East Natural Gas Transmission Pipeline (from Xinjiang to Shanghai), the Second West-East Natural Gas Transmission Pipeline (from Xinjiang to Guangdong), the Zhong-Wu Pipeline (from Chongqing to Wuhan), the Sichuan East-Bound Gas Pipeline (from Sichuan to Shanghai) and the No. 1, No. 2 and No. 3 Shaanxi-Beijing Pipeline (from Shaanxi to Beijing).

When compared to the widespread gas pipeline network of the PRC, the infrastructure of natural gas liquefaction facilities is still on its development stage. Although there are a number of natural gas liquefaction plants in operation in the PRC, the output level of the existing liquefaction plants still lags far behind the market demand for LNG.

* *for identification purpose only*

Natural gas consumption in the PRC

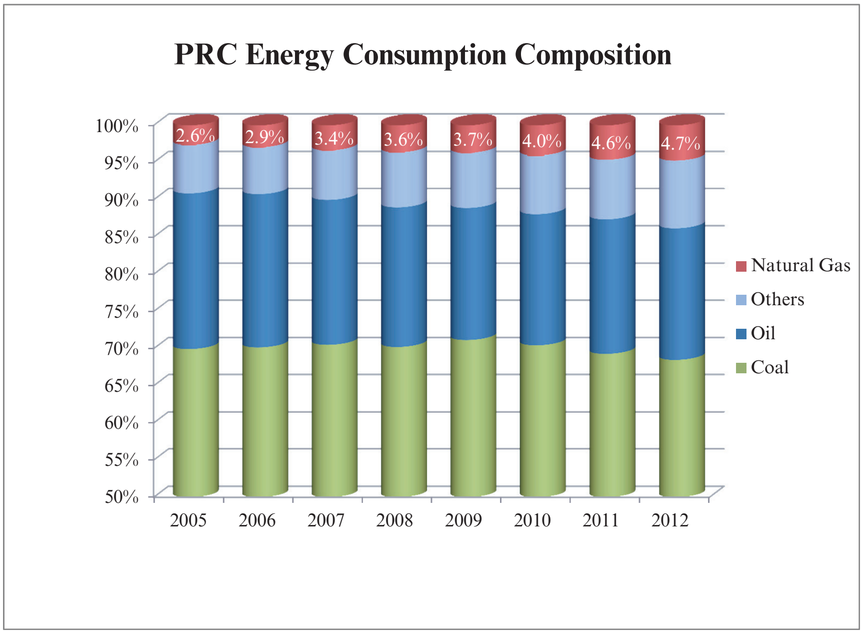
According to "BP Statistical Review of World Energy 2013" made by BP Plc, the natural gas consumption of the PRC grew from approximately 46.8 bcm in 2005 to approximately 143.8 bcm in 2012, representing at a CAGR of approximately 17.4%, while the PRC's coal and oil consumption grew at a CAGR of approximately 7.5% and 5.7% respectively, during the corresponding period.



Source: NBSC

* *The information for the year 2012 in not available as at and up to the Latest Practicable Date.*

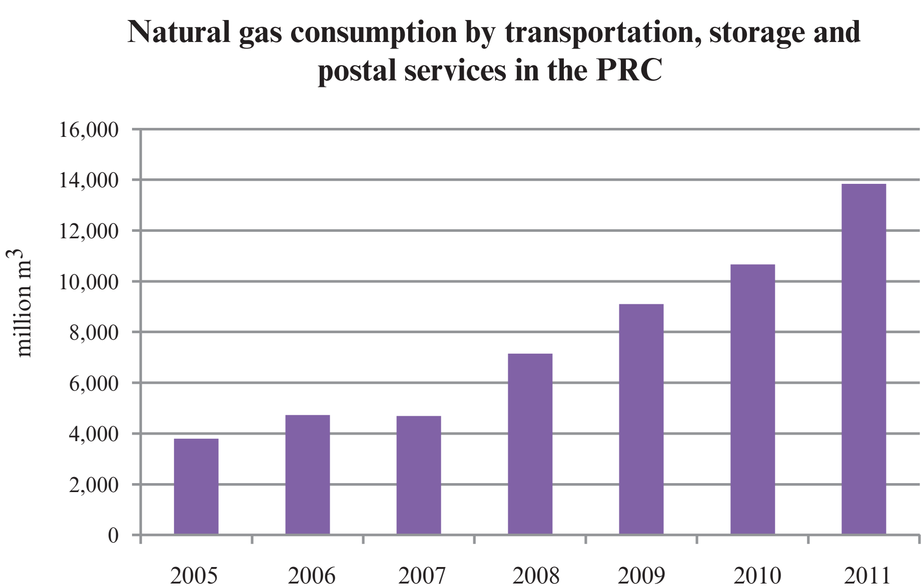
According to NBSC, the industry sector (comprises the sectors of oil and gas mining and manufacturing) represented approximately 46.7% of the country's total gas consumption in 2011, followed by the residential consumption sector (around 26.4%) and the sector of electric power, gas and water (about 22.5%). The residential consumption sector and the sector of electric power, gas and water have experienced a rapid growth of consumption with a CAGR of around 22.2% and 43.1% respectively during the period from 2005 to 2011.



Source: BP Statistical Review of World Energy 2007, 2009, 2011 and 2013

As shown in the chart above, the overall usage of natural gas was relatively insignificant when compared to coal and oil. However, natural gas has gradually taken up a larger share in the primary energy mix of the PRC from 2005 to 2012.

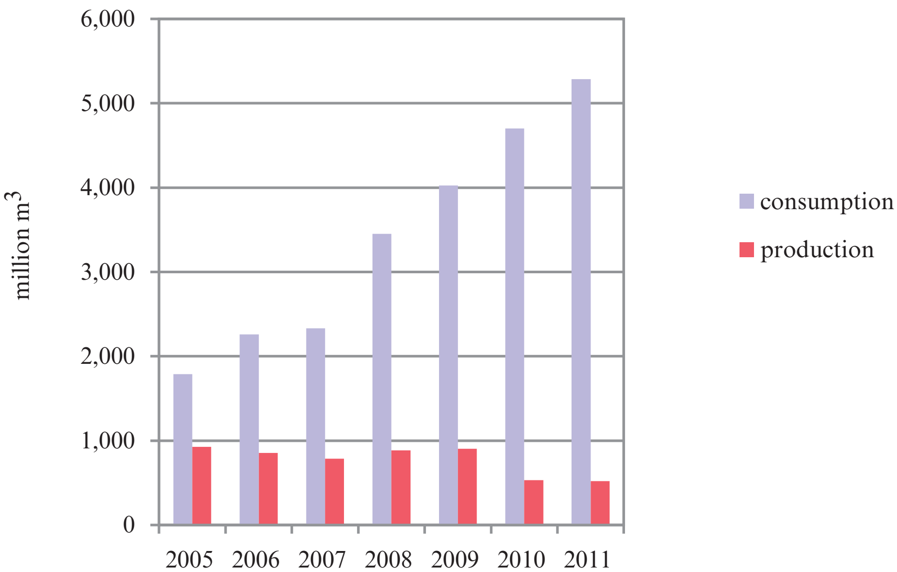
Overview of natural gas consumption by transportation sector in the PRC and natural gas market in Shangdong Province



Source: NBSC

* *The information for the year 2012 in not available as at and up to the Latest Practicable Date.*

Shangdong Province natural gas production and consumption from 2005 to 2011



Source: NBSC

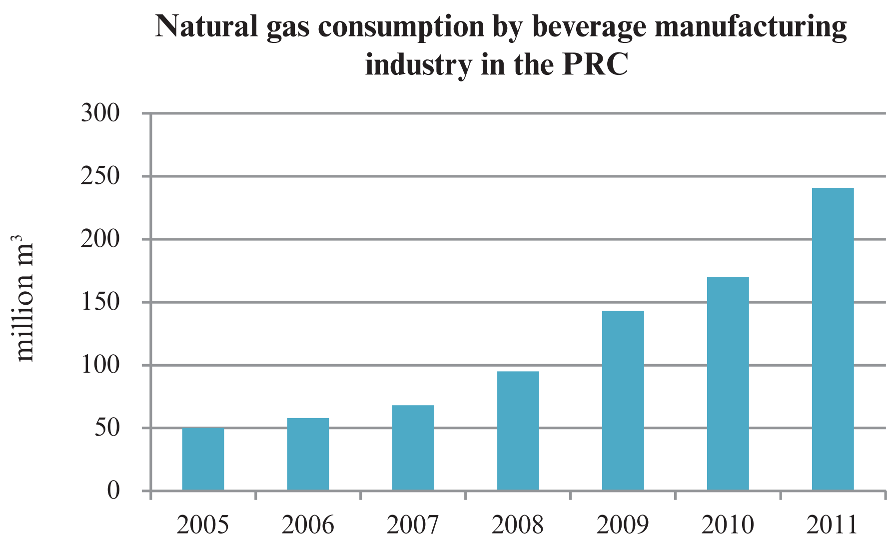
* *The information for the year 2012 in not available as at and up to the Latest Practicable Date.*

As shown from the charts above, the consumption of natural gas in transportation, storage and postal services sector in the PRC has increased from approximately 3,801 million m^3 in 2005 to approximately 13,835 million m^3 in 2011, representing a CAGR of approximately 24.03%. Due to the lack of natural gas reserves and processing facilities in Shangdong Province, the demand for natural gas has far exceeded the production of natural gas. Yuanheng Gas Group owns and operates one LNG fueling station in Shangdong Province through Heze Lujie. As the demand for natural gas by transportation sector is expected to remain strong, and the supply of natural gas in Shangdong Province is far less than the demand, operation of LNG fueling stations in Shangdong Province is expected to bring increasing earnings to Yuanheng Gas Group.

Environmental-friendliness and higher economic value compared to other fuels are the two main advantages of LNG. The exhausts, such as nitrogen dioxide and carbon dioxide, coming from combustion of LNG as vehicle fuel are much lower than that from petrol and diesel. Moreover, price of LNG is evidently lower comparing to the price of petroleum and diesel.

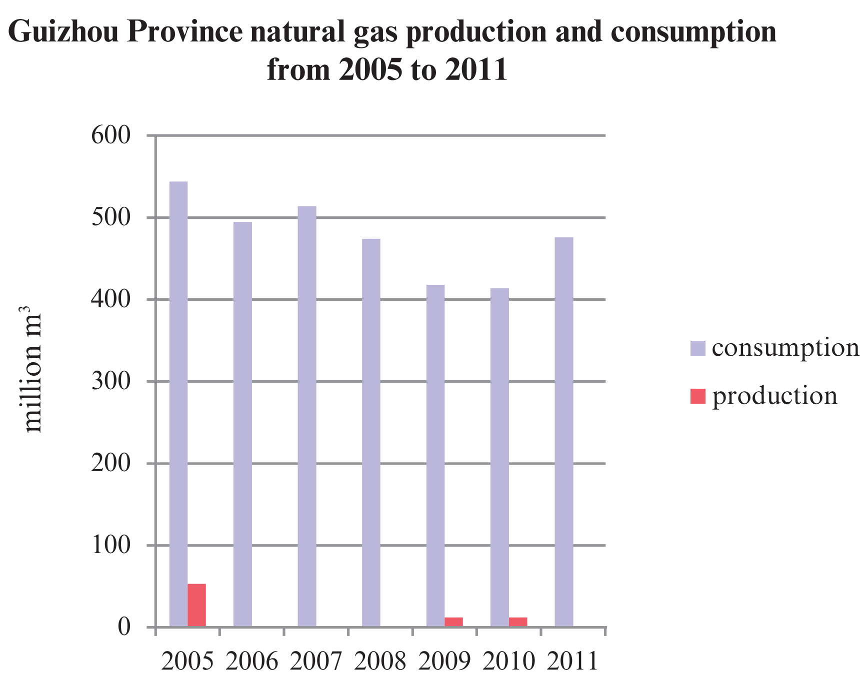
Since 2012, despite the impact of economic downturn, the demand of LNG for vehicles remains strong. By the end of 2012, the total usage of natural gas of Shangdong Province is around 1,100 tonnes per day, and there are around 368 LNG fueling stations in Shangdong Province.

Overview of natural gas consumption by beverage manufacturer in the PRC and natural gas market in Guizhou Province



Source: NBSC

* *The information for the year 2012 in not available as at and up to the Latest Practicable Date.*



Source: NBSC

* *The information for the year 2012 in not available as at and up to the Latest Practicable Date.*

As shown from the charts above, the consumption of natural gas by beverage manufacturer in the PRC has increased from approximately 50 million m^3 in 2005 to approximately 241 million m^3 in 2011, representing a CAGR of approximately 29.97%. Due to the lack of natural gas reserves and processing facilities in Guizhou Province, the demand for natural gas has far exceeded the production of natural gas.

Pursuant to the decree of the government of Guizhou Province to protect the environment of Chishui River, the birth place of dozens of renowned Chinese white wines, the white wine distillers in Renhuai are required to use cleaner energy for environmental protection. Natural gas, which is proved to have relatively lower greenhouse gas and particulate emissions than traditional fossil fuel, is expected to become the main source of fuel for white wine production in Guizhou Province.

Pricing of natural gas in the PRC

For comparison purposes, the table below sets out the pricing of various energy sources in the PRC in 2013 on an energy adjusted basis:

	Price range *(RMB)*			**Price per heat content** *(RMB per gigajoule)*	
	Lowest	**Highest**	**Unit**	**Lowest**	**Highest**
Natural gas	3.0	5.8	m^3	88.5	171.0
LPG	6,500	9,450	tonne	129.37	188.09
Coal	500	800	tonne	23.88	38.22
Coal gas	7,780	8,300	tonne	182.18	194.35
Gasoline	8,600	9,500	tonne	195.63	216.10
Diesel	3,500	4,800	tonne	92.88	127.38
Electricity	0.5	0.8	kWh	138.9	222.2

Source: 四川價格網 (Sichuan Price Net) and 山東省物價資訊網 (Shangdong Price Net)

On heat content adjusted basis, except for coal, the price of natural gas is more competitive than other major energy sources in the PRC. The Directors are of the view that the low price, high heat content and low emission characteristics of natural gas are the reasons that have led to the PRC government's determination to increase the usage of natural gas.

The retail price of natural gas (excluding LNG/natural gas sold to industrial users) are subject to the approval of the local Commodity Price Bureau of the PRC. Future upward adjustments to the prices of natural gas are subject to approval of local Commodity Price Bureau. For further details, please refer to the paragraph headed "Pricing" under the section headed "Business of UHL Group" of this circular.

COMPETITION LANDSCAPE OF THE PRC NATURAL GAS INDUSTRY

The major competitor of UHL Group's upstream gas processing operations consists of other natural gas liquefaction factories in the PRC. Given that the output level of the natural gas liquefaction plants still lags behind the market demand for LNG, the competition among the natural gas liquefaction plants in the PRC is less fierce compared to the downstream sales of natural gas/LNG.

The downstream operation of UHL Group, which is the retail sales of natural gas, is highly geographically fragmented. The majority of the natural gas enterprises are based in the PRC. In the national gas market, there are a number of large scale gas corporations such as Kunlun Energy Company Limited, ENN Energy Holdings Limited and China Resources Gas Group Limited with natural gas transportation and storage infrastructures across the country. However, there are also a significant number of gas enterprises specialised in certain local areas and those nationwide gas corporations may have less market share than those gas enterprises in local markets. UHL Group's retail sales are conducted mainly through the LNG satellite stations in Guizhou Province and the LNG fueling station in Shangdong Province. UHL Group competes with other gas enterprises on the basis of a number of factors, including but not limited to product quality, service quality, price brand recognition and ability to expand sales network by setup of new gas supply stations.

To the best knowledge of the management of UHL Group, SOE1 is currently not engaged in the business of liquefaction of natural gas. Although SOE2 has the operation of natural gas liquefaction and both the SOE are engaged in the distribution and sales of natural gas/LNG, there is a geographical and business delineation between the gas business operations of the SOE and UHL Group. The SOE supplied gas mainly for industrial and residential piped gas users as well as their own fueling stations. UHL Group, on the other hand, focuses at present, high energy consumption industrial users such as white wine distilleries in Guizhou Province and other companies that operated in nearby Provinces or around Sichuan and Inner Mongolia, which have not been served by the SOE. Due to the significant investment for setup of the gas liquefaction, storage and supply facilities, it will not be economically justified for new entrants to compete with a well-established gas supplier in the same regions or cities.

THE ENTRY BARRIER OF NATURAL GAS INDUSTRY

The construction of natural gas liquefaction facilities, LNG satellite stations and LNG fueling stations require government approval and substantial capital investments. In addition, the supply of natural gas for gas liquefaction is subject to government planning and quota. It usually takes a long time for the new entrants to obtain all necessary government approvals and the gas usage quota to start up the LNG business. Due to capital intensity, prolonged government approval process and the constraints on natural gas supplies for gas liquefaction, there are significant entry barriers to large-scale operations.

FUTURE OPPORTUNITIES AND CHALLENGES

Given the background of the favourable economic development trend of the PRC and natural gas being regarded by the government as clean energy, the LNG transportation, sales and distribution has marked advantages.

In recent years, investment in LNG projects in the PRC has been increasing rapidly and providing a number of favorable conditions for the further development of the LNG industry:

- The PRC's offshore oil and gas production scale has become considerably substantial, with the landing of natural gas from Bohai Sea, East China Sea, South China Sea, the coastal pipelines network of the natural gas has been formed;
- Coastal areas are economically developed regions with resources shortage and strong demand, especially when the infrastructure of city gas, chemical engineering and power generation are well in place, their potential consumption of natural gas is strong and affordability towards price is high;
- The PRC's coastal port facilities are in good condition suitable for the transportation, loading and receiving facilities for imported LNG; LNG system could connect with city gas system and offshore gas system, such that LNG can be the alternative for the two gas sources; and
- The master of small LNG liquefaction plant technology is beneficial for the development of small gas fields and remote gas fields.

With social and economic development in the PRC, natural gas is inevitably becoming the main source of energy.

Potential competition may also come from any possible substitution by other energy sources such as coal gas, solar power and wind power. However, the processing cost of coal gas is high and not competitive at present and coal gas can only serve as a complement to natural gas and does not constitute a substantial threat. Technology to generate power from natural gas has been developed. Comparing with natural gas, other clean energy sources, such as solar power and wind power, are limited by technology and extensive research and development is needed before wide application. Therefore, the Company believes other sources of clean energy will not pose any substantial competition to natural gas for the time being.

SUMMARY OF THE LAWS AND REGULATIONS ON THE LIQUEFIED NATURAL GAS INDUSTRY

All of UHL Group's business operations are based in the PRC, and therefore are required to comply with a range of laws and regulations and guidelines concerning establishment of liquefaction facilities, production safety, LNG storage and logistics arrangement, industrial products safety. The laws and regulations concerning our business and operations in the PRC mainly include the following:

Production Safety Law of the PRC (《中華人民共和國安全生產法》)

Standing Committee of the National People's Congress of the PRC promulgated the Production Safety Law of the PRC (the "**Safety Law**") on 29 June 2002 and ruled that the Safety Law shall be implemented with effect from 1 November 2002. The Safety Law was targeted at reinforcing work safety supervision and administration to prevent and reduce accidents in work, secure people's life and property and promote economic development. The Safety Law is applicable for work of entities dealing with production and operation and covers basic systems and measures as follows:

i. According to the Safety Law, production entities shall provide safe working and production conditions pursuant to laws, regulations, state standards or industrial standards, and no production entities would be entitled to production and operation without such safe working and production conditions. Production entity shall designate director to be fully liable for work safety, and shall set up management department or nominate full time staff for work safety, carry out education, training and examination for principals, work safety managers and employees of the production entity. For special work items, workers shall obtain qualifications certificates before commencement of work.

ii. For the purpose of safety measures of projects under construction, the safety devices shall be designed, constructed and launched with the main project. For construction items with more significant risk, production entity shall ensure to go through safety conditions, evaluation and acceptance processes.

iii. Designing, manufacturing, installation, use, testing, repair and scrapping of safety devices shall conform to national standards. For special equipment imposing greater risks, safety certificates and license shall be required.

UHL Group has implemented prior approval and strict supervision process for the production and operation activities for hazardous substances, and discarded process and devices which may endanger work safety. In addition, UHL Group has set up routine inspection, treatment, reports and records system for production facilities to ensure work safety.

As provided by the management of UHL Group, as at the Latest Practicable Date, there has been no historical non-compliance or deviation to the Safety Law.

Regulations on Safety Production Permit (《安全生產許可證條例》)

In light of relevant rules of the Safety Law, regulations on Safety Production Permit were promulgated to regulate the work safety conditions, further strengthen the work safety supervision and administration, prevent and reduce work safety accidents. The regulations were released by the State Council of the PRC (No. 397), and was implemented officially with effect from 13 January 2004. The Decision of the State Council on Invalidating and Altering relevant Administration Regulations (《國務院關於廢止和修改部分行政法規的決定》) was passed in the 10th standing meeting of the State Council of the PRC on 31 May 2013, and was implemented on the date of issuance. Article 23 of the Decision altered Article 4 of the Regulations on Safety Production Permit as follows: competent construction authorities at the province, autonomous region and municipality level shall be responsible for the issuance and administration of work safety licenses of construction and building enterprises, and shall accept the instruction and supervision of competent construction authority under the State Council. Namely, Article 7(2) of the Regulations "Prior to obtaining the charcoal production license" was deleted.

Regulations on Safety Production Permit were applicable to work safety licenses system of mineral enterprises, construction enterprises and enterprises on hazardous chemicals, fireworks, civil explosive substances etc. Enterprises failing to obtain such production licenses shall not commence production activities.

UHL Group has obtained Safety Production Permit in accordance with the Regulations on Safety Production Permit and has furnished good and sound conditions for work safety.

As provided by the management of UHL Group, save for Huaheng Energy and Heze Lujie which operated before obtaining the Gas Operation Permit (details of which are set out in the paragraph headed "Business of UHL Group — Legal proceedings and compliances") of this circular, there has been no historical non-compliance or deviations to the Regulations on Safety Production Permit as at the Latest Practicable Date.

Fire Control Law of the PRC (《中華人民共和國消防法》)

Fire Control Law of the PRC was amended and passed on 28 October 2008 in the fifth session of the 11th Standing Committee of the National People's Congress of the PRC, and was published herein, which shall be implemented with effect from 1 May 2009 for the purpose of preventing and reducing fire hazard, strengthening rescue activities, secure personal and property security and safeguard public security. Enterprises shall focus on the following aspects:

i. Fire control design and construction of building projects shall conform to standards on fire control. Construction, design and supervision companies shall be liable for fire control design and construction quality respectively.

ii. The Fire Control Law of the PRC also encourages to maintain public responsibility insurance for public areas and by enterprises dealing with production, storage, transportation and sales of inflammable and explosive materials, and encourages insurance companies to undertake public fire hazard liability insurance.

UHL Group has equipped sufficient fire control facilities and maintained fire hazard public liability insurance pursuant to the Fire Control Law of the PRC.

The properties of group companies comprising UHL Group which are applicable to the Law, have passed the relevant acceptance of completion or obtained the consent from local government authorities; and the facilities applicable to the Law have been filed and registered.

As provided by the management of UHL Group, there has been no historical non-compliance or deviations to the Fire Control Law of the PRC as at the Latest Practicable Date.

Production, Storage and Shipment of Liquefied Natural Gas (LNG) (《液化天然氣(LNG)生產、儲存和裝運》)

The standards are applicable to the design, site selection, construction and operation of liquefaction of natural gas, and for the storage, liquefaction, trans-shipment, loading and unloading, truck transport facilities maintenance of LNG, and for staff training as well. The standards are applicable to all LNG tanks including vacuum insulation system tanks. Frozen soil underground storage tank was not included herein.

The facilities of group companies comprising UHL Group which are applicable to the Law, have been filed and registered.

As provided by the management of UHL Group, as at the Latest Practicable Date, there has been no historical non-compliance or deviations to the Production, Storage and Shipment of Liquefied Natural Gas (LNG).

UHL Group will continue to comply with the said requirements in managing its production, storage and shipment facilities of LNG.

Regulations on Urban Gas Administration (《城鎮燃氣管理條例》)

On 19 October 2010, the Regulations on Urban Gas Administration were passed in the 129th standing meeting of the State Council of the PRC, which shall be implemented with effect from 1 March 2011. The purpose of the regulations was to strengthen the urban gas administration, secure gas supply, prevent and reduce gas accidents, safeguard people's life and property safety, protect the lawful rights and interests of gas operators and users, and promote the sound development of gas industry. The following rules were set forth for gas operation and service:

i. First, establish the gas operation licenses system and determine the conditions and approval procedures for gas operation licenses. Individuals were prohibited from operating pipeline gas business. Where any individual shall deal with bottle gas business, he shall follow relevant rules of the province, autonomous region and municipalities.

ii. Second, determine the obligations and prohibitions imposed upon gas operators. Gas operators shall ensure to provide continuous, stable and safe gas supply for gas users, and shall observe state standards on gas supply, and shall not reject gas supply or cut off gas supply for gas users.

iii. Third, set forth the responsibilities of gas operators clearly in terms of the operation, maintenance, repair and upgrading of gas facilities. Gas operators shall take relevant measures in case of adjusting gas supply quantity, suspending gas supply, suspending business etc. Gas operator shall establish and improve the gas quality testing system, and impose higher requirement on bottle gas delivery staff and vehicles, and shall bear relevant responsibilities. Gas bottle fueling requirements shall be observed for such businesses.

iv. Fourth, improve the gas pricing system based upon the gas purchase cost, operation cost and local development level, and make adjustment properly, when necessary. The price administration authority shall determine and adjust the pipeline gas sales price on condition that it shall acquire the comments of gas users, gas operators and other relevant parties.

As provided by the management of UHL Group, save for Huaheng Energy and Heze Lujie which operated before obtaining the Gas Operation Permit (details of which are set out in the paragraph headed "Business of UHL Group — Legal proceedings and compliances") of this circular, there has been no historical non-compliance or deviation to the Regulations on Urban Gas Administration as at the Latest Practicable Date.

UHL Group will continue to observe the above requirements in dealing with LNG businesses.

Technical Regulations for Vehicle Liquefied Natural Gas Fueling Station (《液化天然氣汽車加氣站技術規範》)

Pursuant to the requirements of the National Energy Bureau in the Circular of the Preparation (Alteration) Plan of the First Batch of Energy Standards in 2010 (Guo Neng Ke Ji [2010] No. 320) (《二零一零年第一批能源領域行業標準制(修)訂計劃的通知》國能科技[2010] 320號), the technical regulations were promulgated to regulate the construction of liquefied natural gas (LNG) fueling station, unify the technical requirement to ensure safe and reliable, technically advanced and economical work of such fueling station. The technical regulations were composed of 10 chapters and 3 annexes mainly covering the scope, references, terminologies, classification and site selection, plan layout, process facilities, fire control facilities and discharging, electrical, building, heat supply and ventilation, landscaping and acceptance etc.

As provided by the management of UHL Group, as at the Latest Practicable Date, there has been no historical non-compliance or deviations to the Technical Regulations for Vehicle Liquefied Natural Gas Fueling Station.

UHL Group will continue to comply with the foregoing requirements in managing the LNG fueling stations.

Regulations on Design and Construction for Liquefied Natural Gas Fueling Station (《液化天然氣加氣站設計與施工規範》)

According to the requirement of the National Energy Bureau in the Circular of the Preparation (Alteration) Plan of the First Batch of Energy Standards in 2010 (Guo Neng Ke Ji [2010] No. 320), the regulations were promulgated to regulate the construction of liquefied natural gas (LNG) fueling station, unify the technical requirement, standardize the design and construction to ensure safe and reliable, technically advanced and economical work of such fueling station.

The regulations were prepared mainly with reference to the Production, Storage and Shipment Standard of Liquefied Natural Gas (LNG) (GB/T 20368) (《液化天然氣(LNG)生產、儲存和裝運標準》GB/T 20368), Design and Construction Specifications for Vehicles Gas and Gas Fueling Station (GB50156) (《汽車加油加氣站設計與施工規範》GB50156) and other standards and were made based on local standards and enterprises standards. In addition, it has adopted experiences in terms of designing, constructing and operating existing LNG fueling stations upon frequent discussions and coordination.

The regulations were composed of 11 chapters and 4 annexes mainly covering the scope, references, terminologies, classification and site selection, general plan layout, process facilities, fire control facilities and water supply/discharge, electrical, building, heat supply and ventilation, landscaping and acceptance, training etc.

The regulations shall be subject to the administration of the Oil and Gas Division of the National Energy Bureau of the PRC. China Municipal Project Northern China Design Institute was authorised for the interpretation of the specifications.

Existing LNG fueling station of UHL Group conform to the above requirements. As provided by the management of UHL Group, saved as disclosed above, there has been no historical non-compliance or deviations to the Regulations on Design and Construction for Liquefied Natural Gas Fueling Station as at the Latest Practicable Date. UHL Group will continue to observe the requirements in managing the LNG fueling station.

Urban Design Guidelines for Gas Stations (《城鎮燃氣設計規範》)

Urban Design Guidelines for Gas Stations were enacted and issued by the Ministry of Construction of the People's Republic of China and was implemented with effect from 1 November 2006, the latest version of which was GB 50028-2006. In accordance with the Notice of the Ministry of Construction on Printing and Issuing "Preparation and Amendment Plan for National Standards on Construction during 2000–2001 (Jian Biao [2001] No. 87) (《關於印發二零零零至二零零一年度工程建設國家標準制訂，修訂計劃的通知》(建標[2001] 87號)), North China Municipal Engineering Design & Research Institute, jointly with the relevant authorities, amended the Urban Gas Design Regulations (《城鎮燃氣設計規範》) (GB50028-93), during which process the preparation panel has carried out extensive survey and investigation in conjunction with the practice of urban gas in China as well as relevant national policies. In addition, the panel has summed up decades' experience of urban project construction and regulations implementation in the country, absorbed advanced results in developed countries, conducted necessary theme research and discussion, collected comments from the relevant authorities throughout China and finally submitted the draft to the Ministry of Construction of the PRC and relevant authorities for review and determination.

The Regulations were divided into 10 chapters and 6 appendixes covering general provisions, terms, gas consumption and quality, gas production, purification, gas transformation and distribution system, supply of compressed natural gas, supply of liquefied petroleum gas, supply of liquefied natural gas and application of gas etc.

UHL Group conforms to the above national regulations for the current gas design. As provided by the management of UHL Group, as at the Latest Practicable Date, there has been no historical non-compliance or deviations to the Urban Design Guidelines for Gas Stations. UHL Group will continue to follow such regulations to manage design of its gas projects.

Provisional Rules for Supervision and Management of Oil and Gas Pipeline Safety (《石油天然氣管道安全監督與管理暫行規定》)

To further strengthen the supervision and management of oil and gas pipeline safety, and prevent people's lives and national properties from loss, the provisional rules were made in light of the Regulations on Protection of Petroleum and Natural Gas Pipelines (《石油、天然氣管道保護條例》), and were implemented with effect from 24 April 2000 by the National Economic and Trade Committee of the PRC.

The rules were applicable to pipelines and auxiliaries used to transport oil and natural gas in China through land. Survey and design entities, steel pipe production enterprises, construction enterprises and inspecting entities shall obtain relevant level of qualifications acknowledged by competent administrative authorities.

Survey and design entities shall implement design responsibility system strictly, and shall be responsible for information and design documents provided. Construction projects shall pass the hygiene and safety pre-assessment review. During the survey and route selection of newly built oil pipeline, consider the influence upon geological and social conditions, and the impact of oil pipeline upon relevant facilities when crossing road, railway and flight route. In the course of the preliminary design review of construction projects, review the occupational safety and hygiene, firefighting and environmental protection sections. The safety facilities shall be designed, constructed and launched into use with main project.

Steel pipe production enterprises shall pass national certification of qualifications, and shall establish sound quality assurance system. Production, testing and inspecting devices shall conform to national standards. Raw materials shall be tested in accordance with relevant provisions. Finished products shall be subject to testing and inspecting in pursuance of steel pipe testing standards, and shall be supervised by entities with relevant qualifications.

Construction of oil pipeline work shall be subject to tendering process pursuant to the national standards, and construction quality shall be subject to leadership responsibility system and supervision. Oil pipeline work shall be subject to pressure test and completion of acceptance process.

Oil enterprises shall follow technical operation rules strictly for oil pipelines newly built, in operation and discontinued operation, and shall maintain oil pipelines regularly, command the relevant parameters accurately, and work out oil pipeline accident preparedness as well. For oil pipelines sealed or scrapped, take relevant safety measures and establish the oil pipeline testing archives.

In case of accidents arising from oil pipeline, report to the superior authorities in light of the degree and cause of accident, and set up accident investigation team based upon relevant authorities. People held liable for such accident shall be subject to disciplinary action or otherwise upon the discovery of the cause.

UHL Group follows the above rules to carry out safety supervision and management on existing oil and natural gas pipelines. As provided by the management of UHL Group, as at the Latest Practicable Date, there has been no historical non-compliance or deviations to the Provisional Rules for Supervision and Management of Oil and Gas Pipeline Safety. UHL Group will continue to observe the requirements in managing its oil and natural gas pipelines.

Regulations on the Administration of Urban Gas Safety (《城市燃氣安全管理規定》)

Regulations on the Administration of Urban Gas Safety were jointly issued by the Ministry of Construction, the Ministry of Labor and the Ministry of Public Security of the PRC (No. 10) on 30 March 1991, which cover general provisions, construction of urban gas projects, production, storage, transformation and distribution of urban gas, use of urban gas, production and sales of urban gas devices, repair and servicing of urban gas accidents, awards and fines. In addition, it contains eight chapters and 43 articles, and was implemented with effect from 1 May 1991. On 7 September 2011, the Ministry of Housing and Urban-rural Development issued the Decision on Abolishing the "Regulations on the Administration of Urban Gas Safety", "Measures for the Administration of Urban Gas", and on Altering the "Provisions of the Ministry of Construction on Conditions of Incorporating Fifteen Administrative Licensing into State Council Power" (Order of the Ministry of Housing and Urban-rural Development No. 10), and determined to annul the Regulations on the Administration of Urban Gas Safety.

As provided by the management of UHL Group, as at the Latest Practicable Date, there has been no historical non-compliance or deviations to the Regulations on the Administration of Urban Gas Safety.

UHL Group will continue to observe the Regulations on the Administration of Urban Gas Safety.

PROPOSED LEGISLATIVE AMENDMENTS OR GOVERNMENT POLICIES AND REGULATIONS

In the recent years, the PRC has implemented protective and encouraging regulations and policies for the development, utilisation and transmission of natural gas. Currently, the Company is not aware of any amendments or changes to those regulations and policies which materially affect the business engaged by UHL Group.

CERTIFICATES AND PERMITS REQUIREMENTS

In relation to the operation business of gas transportation and transmission engaged by UHL Group, beside the Production Safety License, no other prerequisite administrative approval is required.

Erdos Xingxing has currently obtained the "Production Safety License" issued by the State Administration of Work Safety (No. (Meng) WH An Xu Zheng Zi [2010 000812]) and the business license issued by Uxin Banner Industry and Commerce Bureau. The term of the Production Safety License commenced on 10 May 2013 and will expire on 9 May 2016. Pursuant to the operating license, the operating term of the Erdos Xingxing commenced on 2 November 2004 and will expire on 1 November 2024.

Dazhou Huixin has currently obtained the "Production Safety License" issued by the State Administration of Work Safety (No. (Chuan) WH An Xu Zheng Zi [2011 1050]) and the business license issued by Dazhou Industry and Commerce Bureau. The term of the

Production Safety License commenced on 26 April 2011 and will expire on 25 April 2014. Pursuant to the operating license, the operating term of the Dazhou Huixin commenced on 7 October 2008 and will expire on 6 October 2028.

The scope of business of UHL Group comprises: the production, sales of LNG; the export of LNG (including equipment and machinery) (allowed by law, regulations or state, cannot operate without permit.

As at the Latest Practicable Date, save for disclosed under the paragraph headed "Business of UHL Group — Legal proceedings and compliances" of this circular, UHL Group has complied with the regulatory requirements as mentioned above and obtained all permits/licences for its business operations in the PRC. The principal permits/licenses obtained in the PRC and Hong Kong are, including but not limited to, business licenses, business registration certificates, gas enterprise qualification certificate, fire control acceptance letter, pressured pipeline use registration certificate, hazardous chemical operation permit and gas bottle filling permit. In addition, save for disclosed in the paragraph headed "Business of UHL Group-Legal proceedings and compliances" of this circular, there was no other pending or threatened litigation, arbitration, or administrative penalties, and UHL Group was not involved in litigation or other proceedings, which would materially and adversely affect its business, financial condition or results of operations as at the Latest Practicable Date.

1. FINANCIAL INFORMATION OF THE GROUP

The published audited consolidated financial statements of the Group for the years ended 31 March 2011, 2012 and 2013 are disclosed in the annual reports of the Company for the years ended 31 March 2011 published on 13 July 2011 (pages 26 to 102), 2012 published on 30 July 2012 (pages 31 to 90) and 2013 published on 31 July 2013 (pages 31 to 86). The published unaudited consolidated financial statements of the Group for the six months ended 30 September 2013 are disclosed in the interim report of the Company for the six months ended 30 September 2013 published on 30 December 2013 (pages 1 to 19). The annual reports and the interim report of the Company can be accessed on the website of the Company (http://www.ngailik.hk) and the website of the Stock Exchange (www.hkexnews.hk).

2. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 March 2013, being the date to which the latest audited financial statements of the Group were made up.

3. WORKING CAPITAL

The directors of the Company are of the opinion that, after taking into account the available financial resources, including the available credit facilities, the internally generated funds and the cash flow impact of the Acquisition, the Enlarged Group has, in the absence of unforeseeable circumstances, sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

4. INDEBTEDNESS

At the close of business on 28 February 2014 being the latest practicable date prior to the printing of this circular, the Enlarged Group had outstanding (i) unsecured and unguaranteed amount due to immediate holding company of the Group of approximately HK$7,750,000 (equivalent to RMB6,091,500), (ii) unsecured and unguaranteed amount due to an associate of the Group of approximately HK$38,000 (equivalent to RMB29,868), (iii) unsecured and unguaranteed amount due to a related party of the UHL Group of approximately RMB4,200,000, (iv) unsecured and unguaranteed other payables of the UHL Group of approximately RMB47,000,000, (v) bank and other borrowings of the UHL Group of approximately RMB873,645,000 (of which approximately RMB127,056,000 was unsecured, approximately RMB746,589,000 was secured by fixed charges on certain of the UHL Group's assets, including property, plant and equipment, prepaid lease payments, bills receivables and bank deposits, and certain equity investments of the subsidiaries including Erdos Xingxing Energy Co., Ltd. and Dazhou Huixin Energy Co., Ltd., approximately RMB604,000,000 was guaranteed and approximately RMB269,645,000 was unguaranteed; and (vi) secured and unguaranteed obligations under finance leases of the UHL Group of approximately RMB12,737,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on 28 February 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

For the purpose of preparation of statement of indebtedness of the Enlarged Group as at 28 February 2014, the directors of the Company translate the outstanding balances from HK$ into RMB at the exchange rate of HK$1 to RMB0.786.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As disclosed in the annual reports of the Company for the year ended 31 March 2012, with the cessation of the EMS operations and establishment of a new oil and gas trading division engaging principally in the trading of coal, oil and chemical products and provision of consultancy services, the Group tapped into the energy industry so as to explore new business opportunities to create value for its Shareholders. Since the financial year ended 31 March 2012, the oil and gas trading division took over the EMS division as the major revenue stream of the Group. In addition, the Group also commenced LNG trading in the financial year ended 31 March 2014 and started to record revenue from the LNG trading business for the same period.

The Group obtains orders from customers (mostly in Hong Kong and Singapore) for supply of oil and chemical products and sources the same from national state-owned oil enterprises in the PRC or oil majors and/or other trading companies from overseas. Each buy or sell side agreement is entered into on a shipment by shipment basis, and that once an order is obtained from its customers, the Group will source for the products from its suppliers and vice-versa. Further, the Group will also, subject to the agreed terms of shipping arrangement, arrange for, amongst other things, loading, transportation and etc.. The respective oil and gas sale contract and purchase contract are entered into within two days. Accordingly, the Company has not recorded any inventory arising from its trading business in its financial statements. Although the Group structured such trading operations on a back-to-back basis where each agreement entered into with the customer is supported by a corresponding agreement with its supplier, the Group bears the risk on the gross amount for each contract it entered into. Since the Group trades each contract at its own risk therefore those contracts are not entered into on indent basis and the Group does not entitle any commission income from the buy side orders and/or sell side orders with the trading partners. The Company considers that the turnover and cost of oil and gas contracts shall be recognised on gross basis under the consolidated statement of comprehensive income. The basis was also explained and clarified in the Company's interim results announcement for the six months period ended 30 September 2013 dated 29 November 2013.

As mentioned in the paragraph headed "Reasons for and benefits of the Acquisition" set out in the "Letter from the Board" of this circular, the Acquisition is considered as complementary and a strategic reinforcement of the Group's existing energy trading business and a valuable opportunity for the Group to expand and integrate into upstream operations of natural gas processing. Following Completion, the Group will become a vertically-integrated energy enterprise. Huixin Plant and Erdos Plant will provide a reliable supply of LNG, and therefore improve the Group's overall operation flexibility and allow the Group to further expand its trading platform. In addition, the Group's oil and gas trading business and Yuanheng Gas Group's LNG business could complement each other by sharing market information and customer network, and therefore broaden the Group's income base and improve the financial flexibility of the Group.

Looking forward, with the lead of the management team, the Enlarged Group will devote its resources to put forward UHL Group's business development plans to seize larger market share and further penetrate into the PRC energy market. Save for the Acquisition, the Company has not identified any other investment opportunities as at the Latest Practicable Date. As at the Latest Practicable Date, the Company did not enter into any agreement, arrangement, understanding or negotiation (conclude or otherwise) or have the intention in relation to any disposal, termination, scaling down of its existing business.

Having considered the above and the fast growing economic conditions of the PRC and the increasing awareness of the use of clean energy, the Directors believe that the energy business of the Enlarged Group will bring fruitful returns and create additional values to the Shareholders in the coming years.

6. RECONCILIATION STATEMENT

The statement below shows the reconciliation of the valuation of the property interests of Yuanheng Gas Group as at 31 January 2014 as set out in Appendix IV (the "**Properties**") and the book value of the Properties as at 31 December 2013:

	Yuanheng Gas Group *RMB'000*
Net book value of the Properties attributable to Yuanheng Gas Group as at 31 December 2013	92,435
Movement from 1 January 2014 to 31 January 2014	
— Additions	—
— Disposals	—
— Depreciation and amortisation	(313)
Net book value of the Properties attributable to Yuanheng Gas Group as at 31 January 2014	92,122
Valuation surplus	6,825
Valuation of the Properties attributable to Yuanheng Gas Group as at 31 January 2014 per Appendix IV	98,947

7. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the three years ended 31 March 2011, 2012 and 2013 and the six months period ended 30 September 2013:

For the year ended 31 March 2011

Turnover

The Group's turnover decreased to approximately HK$675.5 million for the year ended 31 March 2011, a reduction of approximately 20.5% as compared to the preceding financial period. The decline was mainly attributable to the tightened credit environment and weak demand of the consumer electronic products in the overseas markets.

Gross loss

The gross loss was about HK$6.6 million for the year ended 31 March 2011 whereas the gross loss was about HK$6.3 million in prior year. It was mainly attributable to high level of overheads resulting from smaller production scale and provision for royalties.

Expenses

The Group's administrative expenses for the year ended 31 March 2011 totalled to approximately HK$86 million, representing an increase of 21.4% as compared to the corresponding figures last period. The Group's selling and distribution expenses amounted to approximately HK$8 million, representing a decrease of approximately 41.1% as compared to the preceding financial period. No finance costs were incurred during the financial period as compared to about HK$19.7 million in the preceding financial period.

Working capital management

As at 31 March 2011, the Group maintained bank balances and cash of approximately HK$9 million (31 March 2010: approximately HK$19 million). The division's average inventory turnover days was approximately 28 days (31 March 2010: approximately 48 days).

Financing and capital structure

As at 31 March 2011, the Group's total debts stood at approximately HK$2,874,000 (31 March 2010: approximately HK$67,000).

There was no borrowing during the financial year ended 31 March 2011.

Capital expenditure on property, plant and equipment

Total capital expenditure for the year was approximately HK$3.6 million (31 March 2010: HK$7.4 million), mainly spent on moulds investment.

Liquidity and financial resources

The net liabilities of the Group as at 31 March 2011 were HK$132.5 million (31 March 2010: HK$28.3 million). The current ratio was approximately 0.3 (31 March 2010: approximately 0.8). Shareholders' deficits were approximately HK$132.5 million (31 March 2010: HK$28.3 million) because of the significant loss of HK$104.2 million for the year. In view of the net liability and net current liability positions, the Group will consider suitable means to enhance its capital base.

Pledge of assets

As at 31 March 2011, bank deposits amounting HK$0.7 million (31 March 2010: HK$Nil) were pledged.

Capital commitments

As at 31 March 2011, the Group had no material capital commitments.

Treasury policy

The majority of the Group's sales and purchases were denominated in HK$ or US$. As HK$ and US$ are pegged, the Group had minimum exposure to foreign exchange fluctuation in this respect. The contract manufacturing costs incurred in the PRC were denominated in RMB. The Group still monitors the overall currency and interest rate exposures.

Employee information

As at 31 March 2011, the Group had approximately 60 employees (31 March 2010: 70). 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.

Gearing ratio

As the Group had no borrowings as at 31 March 2011, no gearing ratio was presented as at 31 March 2011 (2010: nil).

Contingent liabilities

As at 31 March 2011, the Group did not have any reportable contingent liabilities.

Segmental information

The Group's reportable and operating segments include electronics manufacturing services business ("**EMS business**") and property rental and provision of management services ("**property investment**"). The EMS business is engaged in design, manufacture and sale of electronic and electrical products while property investment is engaged in property rental and provision of management services.

The property investment segment was discontinued during the year ended 31 March 2010. The Group is currently engaged in EMS business only. The Group's results from continuing operation were derived from EMS business, which relates to the manufacture and sales of electronic products.

The Group's turnover (which was generated solely by the EMS business for the financial years ended 31 March 2010 and 2011 respectively) decreased to approximately HK$675.5 million for the year ended 31 March 2011, a reduction of approximately 20.5% as compared to the preceding financial period. The decline was mainly attributable to the tightened credit environment and weak demand of the consumer electronic products in the overseas markets.

The business environment for export-manufacturing is critical despite of the recovery in global economy. The adverse factors mainly included labour shortage in Pearl River Delta and the sharp rise in material prices, such as plastics, paper and copper.

Moreover, certain orders of customers could not be fulfilled, mainly due to the lack of appropriate bank finance.

In view of the above, the Board carried out reviews on the Group's operation and marketing strategy and came to conclusion that certain products were either at declining stage or had been loss-making consistently, thus should be phased out gradually in order to refresh the Group's product mix for healthier growth in future.

The Group will keep on exploring new business opportunities to create value for its shareholders. Particularly, a new business line in oil trading was established subsequent to the financial year, which is expected to take over the EMS division as a major revenue stream of the Group in near future.

Significant investment and material acquisitions and disposals

There was no significant investment, material acquisitions or disposals by the Group for the financial year ended 31 March 2011.

For the year ended 31 March 2012

Turnover

The Group's turnover increased to approximately HK$2,002 million for the year ended 31 March 2012, an increase of approximately 196.3% as compared to the preceding financial period. The rise was mainly attributable to the new oil trading business which reported a turnover of approximately HK$1,901 million during the year.

Gross profit

The gross profit was about HK$4.3 million for the year ended 31 March 2012. The turnaround from gross loss to gross profit was mainly attributable to the Group's strategy in gradual elimination of loss-making products and cut-down of product lines with relatively excessive overheads, as well as the introduction of new oil trading business.

Expenses

Compared to the preceding financial period, the Group's total administrative expenses for the year ended 31 March 2012 decreased by approximately 64% to approximately HK$31 million. Meanwhile, the Group's selling and distribution expenses for the year ended 31 March 2012 dropped by approximately 95% to approximately HK$421,000, when compared to the preceding financial period. The Group's finance costs amounted to approximately HK$1.2 million, no significant finance costs were incurred during the preceding financial period.

Working capital management

As at 31 March 2012, the Group maintained bank balances and cash of approximately HK$113 million (31 March 2011: approximately HK$9 million). The increase was mainly attributable to the open offer completed on 14 March 2012. The Group's average inventory turnover days was approximately 63 days (31 March 2011: approximately 28 days).

Financing and capital structure

For the year ended 31 March 2012, the Group's total debts stood at approximately HK$122.3 million (31 March 2011: approximately HK$2.9 million).

The Group entered into oil and gas contracts during the financial year ended 31 March 2013. Certain receivables arising from oil and gas contracts were discounted to banks with recourse to facilitate the operation of the oil and gas transactions. Accordingly, the Group continued to recognise these discounted bill receivables and has recognised the cash received as secured borrowings. Discounted bills with recourse are interest bearing at fixed rate with a range from 3.87% to 5.10% (2011: nil) per annum and maturity with a range from 90 days to 165 days. Finance cost will be charged to profit or loss over the relevant period of the discounted bills with recourse amounted to HK$1,189,000 (2011: nil) and unamortised portion of finance cost in relation to these discounted bills as at 31 March 2012 amounting to HK$1,337,000 (2011: nil) will be charged to profit or loss in 2013. The interest rate is determined at the date of inception. All discounted bills with recourse are secured by bill receivables as at 31 March 2012.

Save for the above, there was no borrowing during the financial year ended 31 March 2012.

Capital expenditure on property, plant and equipment

Total capital expenditure for the year was approximately HK$11,000 (31 March 2011: HK$3.6 million).

Liquidity and financial resources

The net assets of the Group as at 31 March 2012 were HK$92 million (31 March 2011: net liabilities at HK$133 million). The current ratio was approximately 1.4 (31 March 2011: approximately 0.3). Shareholders' equity was approximately HK$92 million (31 March 2011: Shareholders' deficits of approximately HK$133 million). The increase was attributable to the significant profit of HK$125 million for the year and the open offer completed on 14 March 2012.

Pledge of assets

As at 31 March 2012, bill receivables amounting to approximately HK$124 million were secured against the Group's discounted bills with recourse (31 March 2011: Nil).

Capital commitments

As at 31 March 2012, the Group had no material capital commitments.

Treasury policy

The majority of the Group's sales and purchases were denominated in US$ or RMB. As HK$ and US$ are pegged, the Group had minimum exposure to foreign exchange fluctuation in this respect. The Group still monitors the overall currency and interest rate exposures.

Employee information

As at 31 March 2012, the Group had approximately 20 employees (31 March 2011: 60). 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.

Gearing ratio

Save as disclosed in the paragraph headed "Financing and capital structure" above, the Group had no borrowings as at 31 March 2012, and no gearing ratio was presented as at 31 March 2012 (2011: nil).

Contingent liabilities

As at 31 March 2012, the Group did not have any reportable contingent liabilities.

Segmental information

In view of the critical business environment faced by the export-manufacturing industry, the management, after having carried out a review on the Group's EMS operation, had resolved to close down product lines which reported consecutive net losses, through a voluntary winding up of a subsidiary, as disclosed in the announcement dated 30 September 2011.

In April 2011, the Group established a new oil trading division, engaging principally in the trading of coal, oil and chemical products and provision of consultancy services. The oil trading division has contributed a turnover of approximately HK$1,901 million for the year ended 31 March 2012. The management believes that the new oil trading business will help the Group to capture new market, increase its profitability and diversify its business risk.

With the cessation of the loss-making product lines, downsizing of the EMS operations and the establishment of the new trading division, the Group managed to achieve gross profit of approximately HK$4.3 million for the year ended 31 March 2012, as compared to the gross loss of approximately HK$6.6 million in the prior period.

The Group will seek to expand its product range and continue to seek and cover trade areas such as Singapore and other countries in Asia Pacific region. The Group will also seek and provide more value added services to its customers.

Significant investment and material acquisitions and disposals

There was no significant investment, material acquisitions or disposals by the Group for the financial year ended 31 March 2012.

For the year ended 31 March 2013

Turnover

The Group's turnover increased to approximately HK$6,153 million for the year ended 31 March 2013, an increase of approximately 207% as compared to the preceding financial period. The rise was mainly attributable to the continued growth of oil and gas trading business which reported a turnover of approximately HK$6,151 million during the year.

Gross profit

The gross profit was about HK$10 million for the year ended 31 March 2013, an increase of approximately 135% as compared to the preceding financial period.

Expenses

The Group's administrative expenses for the year ended 31 March 2013 totalled to approximately HK$10 million, representing a decrease of approximately 67% as compared to the preceding financial period. The Group's finance costs amounted to approximately HK$3 million, representing an increase of approximately 131% as compared to the preceding financial period.

Working capital management

As at 31 March 2013, the Group maintained bank balances and cash of approximately HK$102 million (31 March 2012: approximately HK$113 million), representing a decrease of approximately 10% as compared to the preceding financial period.

Financing and capital structure

For the year ended 31 March 2013 and 31 March 2012, the Group has no debts.

There was no borrowing during the financial year ended 31 March 2013.

Capital Expenditure on property, plant and equipment

Total capital expenditure for the year was approximately HK$463,000 (31 March 2012: HK$11,000).

Liquidity and financial resources

The net assets of the Group as at 31 March 2013 were HK$89 million (31 March 2012: HK$92 million). The current ratio was approximately 1.1 (31 March 2012: approximately 1.4). Shareholders' equity was approximately HK$89 million (31 March 2012: approximately HK$92 million).

Pledge of assets

As at 31 March 2013, none of the Group's assets were pledged.

Capital commitments

As at 31 March 2013, the Group had no material capital commitments.

Treasury policy

The majority of the Group's sales and purchases were denominated in US$ and Renminbi. As HK$ and US$ are pegged, the Group had minimum exposure to foreign exchange fluctuation in this respect. The exposure of exchange fluctuation in respect of Renminbi is also limited, as there are no significant differences of the carrying amount of the monetary assets and liabilities which are denominated in RMB. The Group still monitors the overall currency and interest rate exposures.

Employee information

As at 31 March 2013, the Group had approximately 20 employees (31 March 2012: 20). 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.

Gearing ratio

As the Group had no borrowings as at 31 March 2013, no gearing ratio was presented as at 31 March 2013 (2012: nil).

Contingent liabilities

As at 31 March 2013, the Group did not have any reportable contingent liabilities.

Segmental information

The oil and gas trading division has contributed a turnover of approximately HK$6,151 million for the year ended 31 March 2013. The growth was mainly attributable to the open offer completed on 14 March 2012, which allowed the division to capture more business opportunities with the enlarged working capital.

In view of the critical business environment for export manufacturing, the management continued to downsize the Group's EMS operation. As a result, the EMS division's turnover decreased to approximately HK$2 million for the year ended 31 March 2013.

The Group will continue to leverage on the experience and network of our management and to develop its oil and gas trading business platform. The Group will seek to expand its product range and continue to seek and cover trade areas such as Singapore and other countries in Asia Pacific region.

Significant investment and material acquisitions and disposals

There was no significant investment, material acquisitions or disposals by the Group for the financial year ended 31 March 2013.

For the six months period ended 30 September 2013

Turnover

The Group's turnover increased to approximately HK$7,272 million for the period ended 30 September 2013, an increase of approximately 183.9% as compared to the preceding financial period. The rise was mainly attributable to the growth in the oil trading business which reported a turnover of approximately HK$7,272 million during the Period.

Gross profit

Gross profit was approximately HK$3.6 million for the Period, a decrease of approximately 4.6% as compared to the preceding financial period. The gross profit margin for the current period decreased from 0.15% to 0.05%. Such drop in gross profit margin was mainly caused by fierce competition with continuous challenges from peer competitors. In order to improve price perception, the Group narrowed down its finance cost instead of increasing the selling prices, leading to a decrease in gross profit margin for the six months ended 30 September 2013.

Expenses

The Group's administrative expenses for the period ended 30 September 2013 totaled to approximately HK$5.1 million, representing a decrease of approximately 12.8% as compared to the corresponding figures last period.

There were no finance costs incurred during the Period (for the six months ended 30 September 2012: approximately HK$2.7 million). The decrease is mainly due to less reliance on bank financing as a result from the enlarged working capital after the completion of open offer in March 2012.

Working capital management

As at 30 September 2013, the Group maintained bank balances and cash of approximately HK$93.5 million (31 March 2013: approximately HK$101.6 million).

Financing and capital structure

For the period ended 30 September 2013, the Group had no debts (31 March 2013: Nil).

There was no borrowing during the six months period ended 30 September 2013.

Capital expenditure on property, plant and equipment

For the period ended 30 September 2013, the Group spent approximately HK$130,000 (31 March 2013: approximately HK$463,000) on property, plant and equipment.

Liquidity and financial resources

The net current assets of the Group as at 30 September 2013 were approximately HK$86.8 million (31 March 2013: approximately HK$88.4 million). The current ratio was approximately 1.08 (31 March 2013: approximately 1.09). Shareholders' equity were approximately HK$87.3 million (31 March 2013: approximately HK$88.8 million) because of the loss of approximately HK$1.5 million for the period.

Pledge of assets

As at 30 September 2013, none of the Group's assets were pledged.

Capital commitments

As at 30 September 2013, the Group had no material capital commitments.

Treasury policy

The majority of the Group's sales and purchases were denominated in US Dollars and Renminbi. As Hong Kong Dollars and US Dollars are pegged, the Group had minimum exposure to foreign exchange fluctuation in this respect. The exposure of exchange fluctuation in respect of Renminbi is also limited, as there are no significant differences of the carrying amount of the monetary assets and liabilities which are denominated in Renminbi. The Group still monitors the overall currency and interest rate exposures.

Employee information

As at 30 September 2013, the Group had about 20 employees (31 March 2013: 20). 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.

Gearing ratio

As the Group had no borrowings as at 30 September 2013, no gearing ratio was presented as at 30 September 2013 (30 September 2012: nil).

Contingent liabilities

As at 30 September 2013, the Group did not have any reportable contingent liabilities.

Segmental information

During the period from 1 April 2013 to 30 September 2013 (the "**Period**"), the Group recorded a loss of approximately HK$2 million (six months ended 30 September 2012: approximately HK$4 million). Turnover of the Group for the Period increased to approximately HK$7,272 million from approximately HK$2,561 million. The rise was mainly attributable to the continued growth of oil and gas trading business.

In view of the critical business environment for export manufacturing, no revenue was earned from EMS business for the Period (for the six months ended 30 September 2012: approximately HK$1.5 million).

On 28 October 2013, the Company's wholly-owned subsidiary, Firmwill Investment Limited ("**Purchaser**"), entered into an agreement with Ying Hui Limited ("**Vendor**") and Vendor's shareholders, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to dispose of the sales shares, representing the entire issued share capital of Union Honor Limited ("**UHL**"), a wholly-owned subsidiary of the Vendor, at the total consideration of HK$2,861,775,000 (the "**Acquisition**"). UHL, through 廣州元亨燃氣有限公司 (Guangzhou Yuanheng Gas Corporation Limited*, its indirect wholly-owned subsidiary), is principally engaged in processing, distribution, sales, trading and transportation of liquefied natural gas and other auxiliary business in the PRC. The Acquisition is subject to shareholders' approval.

Save for the Acquisition, the Group will continue to implement the business development strategies as mentioned in the annual report for the financial year ended 31 March 2013 and to explore new business opportunities in order to create value for its shareholders.

* *For identification purposes only*

Significant investment and material acquisitions and disposals

There was no significant investment, material acquisitions or disposals by the Group for the six months period ended 30 September 2013.

Deloitte.
德勤

15 April 2014

The Board of Directors
Ngai Lik Industrial Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Union Honor Limited ("UHL") and its subsidiaries (hereinafter collectively referred to as the "UHL Group") for the period from 7 January 2011 (date of incorporation) to 31 December 2011 and each of the years ended 31 December 2012 and 2013 (the "Relevant Periods") for inclusion in the circular issued by Ngai Lik Industrial Holdings Limited (the "Company") dated 15 April 2014 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of UHL (the "Acquisition").

UHL was incorporated under the International Business Companies Act of the British Virgin Islands (the "BVI") with limited liability on 7 January 2011. UHL acts as an investment holding company.

UHL has the following subsidiaries during the Relevant Periods and their particulars are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ paid-in capital/ registered capital	Effective equity interest attributable to UHL				Principal activities
			At 31 December			At date of this report	
			2011	2012	2013		
Ying Luen International Investment Limited 盈聯國際投資有限公司 ("Ying Luen")	Hong Kong 11 July 2011	HK$240,000,000	100.0%	100.0%	100.0%	100.0%	Investment holding and oil contracts trading
廣州元亨燃氣有限公司* ("Yuanheng Gas")	The People's Republic of China ("PRC") 6 July 2007	RMB351,597,000	96.5%	96.5%	100.0%	100.0%	Investment holding and sales of liquefied natural gas
鄂爾多斯市星星能源有限公司* ("Xingxing Energy")	PRC 2 November 2004	RMB120,000,000	66.6%	66.6%	69.0%	69.0%	Production and sale of liquefied natural gas
達州市匯鑫能源有限公司* ("Huixin Energy")	PRC 11 October 2005	RMB70,000,000	66.6%	66.6%	69.0%	69.0%	Production and sale of liquefied natural gas
貴州華亨能源投資有限公司* ("Huaheng Energy")	PRC 24 June 2011	RMB40,000,000	48.0% *(note 1)*	48.0%	49.7%	49.7%	Sale of piped gas
菏澤綠潔燃氣有限責任公司* ("Heze Lvjie")	PRC 3 June 2011	RMB30,000, 000	—	49.2%	51.0%	51.0%	Vehicle gas refuelling stations and sale of liquefied natural gas
達州市匯鑫物流有限公司* ("Huixin Logistic")	PRC 30 April 2008	RMB10,000,000	66.6%	66.6%	69.0%	69.0%	Provision of logistics service
貴州華元投資有限公司* ("Huayuan Investment")	PRC 18 June 2013	RMB22,800,000	N/A	N/A	100.0%	100.0%	Investment holding

* *Indirectly held by UHL*

Note 1: Huaheng Energy was a joint venture of the UHL Group before 28 December 2012, details of which are set out in note 18 to Section A of the Financial Information. The UHL Group has obtained control over Huaheng Energy and accounted for Hauheng Energy as a subsidiary of the UHL Group since 28 December 2012, details of which are set out in note 33 to Section A of the Financial Information.

Except for Ying Luen which principally operates in Hong Kong, all of the above subsidiaries operate in the PRC. All companies comprising the UHL Group have adopted 31 December as their financial year end date.

The statutory financial statements of the following subsidiaries which have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies incorporated or established in Hong Kong or the PRC were audited by the following certified public accountants registered in Hong Kong or in the PRC:

Name of company	**Financial year**	**Name of auditors**
Ying Luen	Period from 11 July 2011 (date of incorporation) to 31 December 2012	Deloitte Touche Tohmatsu
Yuanheng Gas	Each of the two years ended 31 December 2012	廣東粵信會計師事務所有限公司 (Guangdong Yuexin Certified Public Accountants Co., Ltd.) ("Guangdong Yuexin")
Xingxing Energy	Each of the two years ended 31 December 2012	Guangdong Yuexin
Huixin Energy	Each of the two years ended 31 December 2012	Guangdong Yuexin
Huaheng Energy	Period from 24 June 2011 (date of establishment) to 31 December 2011 and year ended 31 December 2012	貴州黔元會計師事務所有限公司 (Guizhou Qianyuan Certified Accountants Co., Ltd.)
Heze Lvjie	Period from 3 June 2011 (date of establishment) to 31 December 2011	山東富信會計師事務所有限公司 (Shandong Fuxin Certified Public Accountants Co., Ltd.)
	Year ended 31 December 2012	山東牡丹會計師事務所有限公司 (Shandong Mudan Certified Public Accountants Co., Ltd.)
Huixin Logistic	Each of the two years ended 31 December 2012	四川神州會計師事務所有限責任公司達州分所 (Sichuan Shenzhou Certified Public Accountants Co., Ltd., Dazhou Branch)

No statutory audited financial statements for the year ended 31 December 2013 of Ying Luen and all the above subsidiaries operated in the PRC have been prepared as they have not become due for issuance. No statutory audited financial statements have been prepared for UHL since the date of incorporation as there is no statutory requirement in the BVI. No statutory audited financial statements of Huayuan Investment have been prepared as Huayuan Investment was newly established on 18 June 2013 and its first set of statutory financial statements has not become due for issuance.

For the purpose of the preparation of this report, the directors of UHL have prepared consolidated financial statements of the UHL Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA and have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to adjust the Underlying Financial Statements for the Relevant Periods for the preparation of the Financial Information.

The Underlying Financial Statements are the responsibility of the directors of UHL who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the UHL Group as at 31 December 2011, 31 December 2012 and 31 December 2013, and of the UHL Group's results and cash flows for each of the period from 7 January 2011 (date of incorporation) to 31 December 2011 and each of the years ended 31 December 2012 and 2013.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Period from 7 January 2011 (date of incorporation) to 31 December	Year ended 31 December	
		2011	2012	2013
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	6	—	1,143,346	1,832,457
Cost of sales		—	(884,400)	(1,458,215)
Gross profit		—	258,946	374,242
Other income	7	—	14,217	13,790
Other gains	9	—	69	148
Distribution and selling expenses		—	(26,281)	(34,843)
Administrative expenses		(64)	(53,977)	(69,860)
Share of results of joint ventures		—	(47)	—
Gain on discontinuance of equity accounting for joint ventures	33	—	7,290	—
Finance costs	8	—	(74,130)	(47,609)
(Loss) profit before taxation	9	(64)	126,087	235,868
Income tax expense	10	—	(49,712)	(59,942)
(Loss) profit and total comprehensive (expense) income for the period/year		(64)	76,375	175,926
Attributable to:				
Owners of UHL		(64)	60,226	134,219
Non-controlling interests		—	16,149	41,707
		(64)	76,375	175,926

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2011	**2012**	**2013**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	13	872,179	888,223	890,127
Prepaid lease payments	14	24,983	42,558	41,683
Goodwill	15	100,214	103,683	103,683
Intangible asset	16	—	9,837	9,443
Interests in associates	17	—	—	30,000
Interest in a joint venture	18	15,147	—	—
Amount due from a non-controlling equity owner of subsidiaries	22	30,521	33,138	34,654
Amount due from a former equity owner of subsidiaries	22	65,700	70,838	74,484
Deferred tax assets	19	12,720	3,360	320
Deposits for property, plant and equipment under finance lease		4,969	4,969	4,969
		1,126,433	1,156,606	1,189,363
CURRENT ASSETS				
Inventories	20	24,277	29,503	26,030
Trade and other receivables	21	132,340	162,298	389,357
Prepaid lease payments	14	890	1,349	1,349
Amount due from an associate	23	—	20	—
Amounts due from related parties	24	29,550	29,550	84,445
Short-term investments	25	—	—	46,000
Pledged bank deposits	26	310,146	306,617	217,800
Cash and cash equivalents	26	58,274	207,983	77,463
		555,477	737,320	842,444

		As at 31 December		
		2011	2012	2013
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT LIABILITIES				
Trade and other payables	27	315,833	254,229	468,287
Amounts due to non-controlling equity owners in subsidiaries	28	133,725	29,013	35,866
Amount due to an associate	23	—	—	228
Amounts due to related parties	29	351,698	348,753	4,700
Tax payables		38,177	60,348	93,405
Bank and other borrowings due within one year	30	604,904	641,334	641,658
Obligations under finance leases	31	9,525	6,446	5,234
		1,453,862	1,340,123	1,249,378
NET CURRENT LIABILITIES		(898,385)	(602,803)	(406,934)
TOTAL ASSETS LESS CURRENT LIABILITIES		228,048	553,803	782,429
CAPITAL AND RESERVES				
Share capital	32	—	—	376,870
Reserves		113,578	411,414	193,805
Equity attributable to owners of UHL		113,578	411,414	570,675
Non-controlling interests		31,619	91,822	125,673
TOTAL EQUITY		145,197	503,236	696,348
NON-CURRENT LIABILITIES				
Deferred tax liabilities	19	8,531	11,978	15,727
Bank and other borrowings due after one year	30	56,000	25,000	62,000
Obligations under finance leases	31	18,320	13,589	8,354
		82,851	50,567	86,081
		228,048	553,803	782,429

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of UHL								
	Share capital RMB'000	Shareholder's contribution RMB'000	Other reserve RMB'000	Statutory surplus reserve RMB'000 (note a)	Designated safety fund RMB'000 (note b)	(Accumulated loss) retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 7 January 2011 (date of incorporation)	—	—	—	—	—	—	—	—	—
Loss for the period and total comprehensive expense for the period	—	—	—	—	—	(64)	(64)	—	(64)
Shareholder's contribution	—	113,642	—	—	—	—	113,642	—	113,642
Acquisition of subsidiaries *(note 33)*	—	—	—	—	—	—	—	31,619	31,619
At 31 December 2011	—	113,642	—	—	—	(64)	113,578	31,619	145,197
Profit for the year and total comprehensive income for the year	—	—	—	—	—	60,226	60,226	16,149	76,375
Capital injections by non-controlling equity owners of subsidiaries	—	—	—	—	—	—	—	14,832	14,832
Shareholder's contribution	—	237,610	—	—	—	—	237,610	—	237,610
Acquisition of a subsidiary/obtaining control of a non-wholly owned subsidiary *(note 33)*	—	—	—	—	—	—	—	29,222	29,222
Transfer to statutory surplus reserve	—	—	—	2,681	—	(2,681)	—	—	—
Transfer to designated safety fund	—	—	—	—	5,092	(5,092)	—	—	—
At 31 December 2012	—	351,252	—	2,681	5,092	52,389	411,414	91,822	503,236
Profit for the year and total comprehensive income for the year	—	—	—	—	—	134,219	134,219	41,707	175,926
Shareholder's contribution	—	25,618	—	—	—	—	25,618	—	25,618
Capitalisation of shareholder's contribution *(note 32)*	376,870	(376,870)	—	—	—	—	—	—	—
Dividend	—	—	—	—	—	—	—	(2,000)	(2,000)
Acquisition of non-controlling interests in a subsidiary *(note 33)*	—	—	(576)	—	—	—	(576)	(5,856)	(6,432)
Transfer to statutory surplus reserve	—	—	—	12,255	—	(12,255)	—	—	—
Transfer to designated safety fund	—	—	—	—	3,538	(3,538)	—	—	—
At 31 December 2013	376,870	—	(576)	14,936	8,630	170,815	570,675	125,673	696,348

Notes:

a. 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 UHL, 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.

b. 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 year/period represents the difference between the amounts provided based on the relevant PRC regulation and the amount utilised during the year/period.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
(Loss) profit before taxation	(64)	126,087	235,868
Adjustments for:			
Depreciation of property, plant and equipment	—	55,504	60,000
Amortisation of intangible asset	—	—	394
Amortisation of prepaid lease payments	—	955	1,424
Finance costs	—	74,130	47,609
Interest income	—	(13,715)	(9,694)
Gain on disposal of property, plant and equipment	—	(69)	(76)
Share of results of joint ventures	—	47	—
Gain on discontinuance of equity accounting for joint ventures	—	(7,290)	—
Operating cash flows before movements in working capital	(64)	235,649	335,525
Decrease in inventories	—	1,556	3,473
Increase in trade and other receivables	—	(263,755)	(390,116)
Increase (decrease) in trade and other payables	71	(82,555)	214,403
Increase in amount due to a non-controlling equity owner of a subsidiary	—	—	35,866
(Increase) decrease in amount due from an associate	—	(20)	20
Increase in amount due to an associate	—	—	228
Increase in amount due from a related party	—	—	(84,445)
Increase (decrease) in amounts due to related parties	—	135,864	(287,296)
Cash generated from (used in) operations	7	26,739	(172,342)
Income tax paid	—	(16,278)	(20,096)
Net cash from (used in) operating activities	7	10,461	(192,438)

	NOTE	Period from 7 January 2011 (date of incorporation) to 31 December 2011 RMB'000	Year ended 31 December 2012 RMB'000	2013 RMB'000
Investing activities				
Capital contribution to a joint venture/an associate		—	(5,000)	(30,000)
Net cash inflow on acquisition of subsidiaries	33	(55,375)	10,023	—
Withdrawal of pledged bank deposits		—	615,377	359,025
Placement of pledged bank deposits		—	(611,848)	(270,208)
Advance to a former equity owner of subsidiaries		—	(12,000)	(10,000)
Repayment from a former equity owner of subsidiaries		—	700	—
Repayment from a third party		—	6,000	—
Repayment from a related party		—	—	29,550
Purchase of short-term investments		—	—	(229,000)
Proceeds from redemption of short term investments		—	—	183,000
Purchase of property, plant and equipment		—	(11,126)	(59,653)
Purchase of land use right			—	(551)
Proceeds on disposal of property, plant and equipment		—	431	447
Interest received		—	5,260	4,532
Net cash used in investing activities		(55,375)	(2,183)	(22,858)

	NOTE	Period from 7 January 2011 (date of incorporation) to 31 December 2011 RMB'000	Year ended 31 December 2012 RMB'000	2013 RMB'000
FINANCING ACTIVITIES				
Dividends paid to a non-controlling equity owner of a subsidiary		—	—	(2,000)
Acquisition of additional equity interests of a subsidiary	33	—	—	(6,432)
Capital contribution from shareholder		113,642	237,610	25,618
Capital injection from non-controlling equity owners of a subsidiary		—	14,832	—
New bank and other borrowings raised		—	1,224,914	833,539
Repayments of bank and other borrowings		—	(996,857)	(623,161)
Repayment to non-controlling equity owners of a subsidiary		—	(106,000)	(29,013)
Repayment to related parties		—	(139,333)	(56,757)
Repayments to a third party		—	(30,500)	—
Repayments of obligations under finance leases		—	(9,865)	(6,447)
Refund of deposit from guarantor		—	14,230	—
Interest paid		—	(67,600)	(50,571)
Net cash from financing activities		113,642	141,431	84,776
Net increase (decrease) in cash and cash equivalents		58,274	149,709	(130,520)
Cash and cash equivalents at the beginning of the period/year		—	58,274	207,983
Cash and cash equivalents at the end of the period/year		58,274	207,983	77,463

1. GENERAL INFORMATION

UHL was incorporated under the International Business Companies Act of the British Virgin Islands with limited liability on 7 January 2011. UHL acts as an investment holding company. Its immediate holding company is Ying Hui Limited ("Ying Hui"), a private limited company incorporated in the British Virgin Islands. Its ultimate holding company is Champion Ever Limited ("Champion Ever"), a private limited company incorporated in the British Virgin Islands. The address of the registered office of the UHL is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. The address of the principle place of business of the UHL is Unit D, 12/F., Seabright Plaza, 9-23 Shell Street, North Point, Hong Kong. As detailed in note 36, on 11 January 2013, the shareholder of Ying Hui entered into agreements with its lenders. Pursuant to those agreements, a lender, Champion Ever became the holding company of Ying Hui and the ultimate holding company of UHL.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of UHL.

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

In preparing the Financial Information, the directors of the UHL have given careful considerations to the future liquidity of the UHL Group in light of the fact that as at 31 December 2011, 2012 and 2013, its current liabilities exceeded its current assets by approximately RMB898,385,000, RMB602,803,000 and RMB406,934,000 respectively. Taking into account of (i) the internally generated funds, (ii) available long term loan facilities of RMB500,000,000 with maturity up to May 2015, and (iii) RMB200,000,000 of the RMB500,000,000 facilities, which was utilised as at 31 December 2013 and included under bank borrowings due within one year, can be extended to May 2015 pursuant to the relevant facilities agreement, the directors of UHL are confident that the UHL Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the Financial Information has been prepared on a going concern basis.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the UHL Group has consistently applied Hong Kong Accounting Standards ("HKAS"), Hong Kong Financial Reporting Standards, amendments and interpretations (collectively "HKFRSs") which are effective for the UHL Group's accounting period beginning on 1 January 2013 throughout the Relevant Periods.

At the date of this report, the UHL Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferred Accounts[5]
HK (IFRIC) — Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 July 2014
[3] Available for application — the mandatory effect date will be determined when the outstanding phases of HKFRS 9 are finalised
[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
[5] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

The sole director of UHL anticipates that the application of the new and revised HKFRSs will have no material impact on the Financial Information of the UHL Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Financial Information has been prepared in accordance with the accounting policies set out below which confirm with HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The significant accounting policies adopted are set out as follows:

Basis of consolidation

The Financial Information incorporates the financial statements of UHL and entities controlled by UHL (its subsidiaries). Control is achieved when UHL:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

UHL reassesses whether or not it controls an investee if facts and circumstances indicate that there are change to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the UHL obtains control over the subsidiary and ceases when the UHL loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the UHL gains control until the date when the UHL ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the UHL and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of UHL and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the UHL Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the UHL Group are eliminated in full on consolidation.

Changes in the UHL Group's ownership interests in existing subsidiaries

Changes in the UHL Group's ownership interests in subsidiaries that do not result in the UHL Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the UHL Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of UHL.

Business combinations

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the UHL Group, liabilities incurred by the UHL Group to the former owners of the acquiree and the equity interests issued by the UHL Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the UHL Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another standard.

When a business combination is achieved in stages, the UHL Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statements of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates and joint ventures

Investments in associates and joint ventures

An associate is an entity over which the UHL Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in the Financial Information using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the UHL Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the UHL Group's share of losses of an associate or a joint venture exceeds the UHL Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the UHL Group's net investment in the associate or joint venture), the UHL Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the UHL Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the UHL Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the UHL Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the UHL Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The UHL Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. In addition, the UHL Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the UHL Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the UHL Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Financial Information only to the extent of interests in the associate or joint venture that are not related to the UHL Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. The UHL Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

— the UHL Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

— UHL Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

— the amount of revenue can be measured reliably;

— it is probable that the economic benefits associated with the transaction will flow to the UHL Group; and

— the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from construction of gas pipeline infrastructure and liquefied natural gas ("LNG") transportation are recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the UHL Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The depreciation method is reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payment

Payment for obtaining land use rights are accounted for as prepaid lease payments and are charge to profit and loss on a straight-line basis over the lease terms as stated in the relevant land use rights certificates granted for usage by the UHL Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The UHL Group as lessee

Assets held under finance leases are recognised as assets of the UHL Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the UHL Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Intangible assets

Intangible assets acquired separately

Intangible assets that are acquired in a business combination are recognised separately from goodwill and are initially measured at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs that are directly attributable to acquisition or issue of financial assets and financial liabilities measured at fair value through profit or loss are recognised immediately to profit or loss.

Financial assets

The UHL Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

A financial asset designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the UHL Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excluded any dividend or interest earned on the financial assets and is included in the "other gains" line item in the consolidated statements of profit or loss and other comprehensive income. The dividend or interest earned on the financial assets is included in the "other income" line item in the consolidated statements of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 43.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables amounts due from non-controlling equity owners of subsidiaries, amount due from an associate, amounts due from related parties, pledged bank deposits, cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the UHL Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified either as financial liabilities or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the UHL Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to non-controlling equity owners of subsidiaries, amounts due to related parties, bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by UHL are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the UHL Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the UHL Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

The UHL Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the UHL Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the UHL Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the UHL Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the UHL Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from the profit before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The UHL Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the UHL Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the UHL Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initiate accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement benefit costs

Payments to state-managed retirement benefit schemes in the PRC which are defined contribution plans are recognised in profit or loss when employees have rendered service entitling them to the contributions.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the UHL Group's accounting policies, which are described in note 4, the management of the UHL Group has made various estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience, expectation and other information that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Depreciation of property, plant and equipment

The carrying value of property, plant and equipment at 31 December 2011, 31 December 2012 and 31 July 2013 amounted to RMB872,179,000, RMB888,223,000 and RMB890,127,000, respectively. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The UHL Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges in the year in which the estimates change.

Estimated impairment of goodwill

The carrying value of goodwill at 31 December 2011, 31 December 2012 and 31 December 2013 amounted to RMB100,214,000, RMB103,683,000 and RMB103,683,000, respectively. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the UHL Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the calculation of the recoverable amount are set out in note 15.

Deferred tax assets

The carrying value of deferred tax assets at 31 December 2011, 31 December 2012 and 31 December 2013 amounted to RMB12,720,000, RMB3,360,000 and RMB320,000, respectively. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit or taxable temporary difference will be available against which the losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits or taxable temporary difference together with future tax planning strategies.

Estimated impairment of trade and other receivables

The UHL Group makes impairment of trade and other receivables based on an assessment of the recoverability of receivables. Impairment loss are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible or when the net present value of the receivable is less than the carrying amount of the receivable. The identification of impairment loss requires the use of judgment and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and the impairment in the reporting periods in which such estimate has been changed. At 31 December 2011, 31 December 2012 and 31 December 2013, the carrying amount of trade and other receivables is amounted to RMB113,642,000, RMB154,846,000 and RMB367,350,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

A) Revenue

Revenue represents revenue arising on sale of goods and provision of services for the year/period. An analysis of the UHL Group's revenue during the Relevant Periods is as follows:

	Period from 7 January 2011 (date of incorporation) to 31 December	Year ended 31 December	
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods:			
— Wholesale of LNG	—	1,058,194	1,597,794
— Vehicle gas refuelling stations	—	18,890	44,922
— Sales of piped gas	—	—	131,229
Provision of services:			
— LNG transportation	—	66,262	52,743
— Construction of gas pipeline infrastructure	—	—	5,769
	—	1,143,346	1,832,457

B) Segment Information

The UHL Group is organised into business units based on the types of customers and methods used to distribute their products and provide their services, based on which information is prepared and reported to the chief operating decision maker, the directors of UHL, for the purposes of resource allocation and assessment of performance. The accounting policies of the reportable segments are the same as the UHL Group's accounting policies. The UHL Group's operating and reportable segments under HKFRS 8 are as follows:

Production and sales of LNG	Wholesale of LNG
Other operations	Vehicle gas refuelling stations, sales of piped gas, LNG transportation and construction of gas pipeline infrastructure

a) Segment revenues and results

The information of the UHL Group's segment revenue and segment results by reportable and operating segment is as follow:

	Production and sales of LNG *RMB'000*	Others operations *RMB'000*	Total *RMB'000*
Period from 7 January 2011 (date of incorporation) to 31 December 2011			
Segment revenue from external customers	—	—	—
Segment results	—	—	—
Unallocated corporate expenses			(64)
Loss before taxation			(64)
Income tax expense			—
Loss for the period			(64)

	Production and sales of LNG *RMB'000*	Others operations *RMB'000*	Total *RMB'000*
Year ended 31 December 2012			
Segment revenue from external customers	1,058,194	85,152	1,143,346
Inter-segment revenue	8,207	760	8,967
Segment revenue	1,066,401	85,912	1,152,313
Elimination			(8,967)
Total revenue			1,143,346
Segment results	178,131	2,513	180,644
Interest income			13,715
Net income from oil contracts			116
Share of result of a joint venture			(47)
Gain on discontinuance of equity accounting for joint ventures			7,290
Finance costs			(74,130)
Unallocated corporate expenses			(1,501)
Profit before taxation			126,087
Income tax expense			(49,712)
Profit for the year			76,375

	Production and sales of LNG *RMB'000*	Others operations *RMB'000*	Total *RMB'000*
Year ended 31 December 2013			
Segment revenue from external customers	1,597,794	234,663	1,832,457
Inter-segment revenue	43,407	373	43,780
Segment revenue	1,641,201	235,036	1,876,237
Elimination			(43,780)
Total revenue			1,832,457
Segment results	274,680	3,012	277,692
Interest income			9,694
Net income from oil contracts			126
Finance costs			(47,609)
Unallocated corporate expenses			(4,035)
Profit before taxation			235,868
Income tax expense			(59,942)
Profit for the period			175,926

b) Segment assets and liabilities

Information of the operating segments of the UHL Group reported to the chief operating decision maker 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.

c) *Other segment information*

The other segment information of the UHL Group is as follow:

	Production and sales of LNG *RMB'000*	**Others operations** *RMB'000*	**Total** *RMB'000*
For the period from 7 January 2011 (date of incorporation) to 31 December 2011			
Additions to non-current assets	—	—	—
Depreciation of property, plant and equipment	—	—	—
Amortisation of prepaid lease payments	—	—	—
For the year ended 31 December 2012			
Additions to non-current assets	15,045	85,690	100,735
Depreciation of property, plant and equipment	46,608	8,896	55,504
Amortisation of prepaid lease payments	889	66	955
Gain on disposal of property, plant and equipment	69	—	69
For the year ended 31 December 2013			
Additions to non-current assets	13,776	49,050	62,826
Depreciation of property, plant and equipment	47,760	12,240	60,000
Amortisation of intangible asset	—	394	394
Amortisation of prepaid lease payments	889	535	1,424
Gain on disposal of property, plant and equipment	76	—	76

d) *Geographical information*

All of the UHL Group's revenue is derived from customers located in the PRC and its identified assets are substantially located in the PRC (the place of domicile).

e) Information about major customers

Revenue from customers of the corresponding years/periods over 10% of the total revenue of the UHL Group which are arising from production and sales of LNG segment is as follows:

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	**Years ended 31 December 2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	N/A	298,743	N/A *(note)*
Customer B	N/A	209,451	202,267
Customer C	N/A	N/A *(note)*	258,918
Customer D	N/A	N/A *(note)*	222,775

Note: The corresponding revenue did not contribute over 10% of the total revenue of the UHL Group.

7. OTHER INCOME

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	**Years ended 31 December 2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Interest income from			
— banks	—	5,260	4,532
— a non-controlling equity owner of subsidiaries	—	2,617	1,516
— a former equity owner of subsidiaries	—	5,838	3,646
	—	13,715	9,694
Net income from oil contracts	—	116	126
Others	—	386	3,970
	—	14,217	13,790

8. FINANCE COSTS

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	Years ended 31 December 2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank borrowings			
— wholly repayable within five years	—	31,800	37,788
— not wholly repayable within five years	—	—	1,494
Interest on other borrowings			
— wholly repayable within five years		22,423	3,244
Interest on amounts due to related parties	—	11,314	4,318
Interest on amount due to third parties	—	4,718	—
Interest on amount due to a non-controlling equity owner of a subsidiary	—	1,288	1,288
Finance leases	—	2,587	2,439
Total interest charges	—	74,130	50,571
Less: Amount capitalised in construction in progress *(note)*	—	—	(2,962)
	—	74,130	47,609

Note: The borrowing costs have been capitalised at rate of 6.29% for the year ended 31 December 2013.

9. (LOSS) PROFIT BEFORE TAXATION

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	Years ended 31 December 2012	2013
	RMB'000	*RMB'000*	*RMB'000*
(Loss) profit before taxation has been arrived at after charging (crediting):			
Auditors' remuneration	—	2,292	5,579
Amortisation of intangible assets	—	—	394
Amortisation of prepaid lease payments	—	955	1,424
Cost of inventories recognised as an expense	—	820,994	1,404,639
Depreciation of property, plant and equipment	—	55,504	60,000
Directors' emoluments *(note 11)*	—	—	—
Operating lease payment in respect of office premises	—	195	350
Salaries and other benefits	—	34,823	39,718
Retirement benefits contributions	—	4,606	5,193
Total staff costs (excluding directors' emoluments)	—	39,429	44,911
Gain on disposal of property, plant and equipment	—	(69)	(76)
Exchange gain	—	—	(72)
Other gains	—	(69)	(148)

10. INCOME TAX EXPENSE

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	Years ended 31 December 2012	2013
	RMB'000	*RMB'000*	*RMB'000*
The charge comprises:			
PRC Enterprise Income Tax ("EIT")	—	38,381	53,153
Deferred taxation *(note 19)*			
— Current year	—	7,449	6,789
— Attributable to change in tax rate	—	3,882	—
	—	11,331	6,789
	—	49,712	59,942

No provision for Hong Kong Profits Tax has been made as the UHL Group's had no assessable profit during the Relevant Periods.

PRC Enterprise Income Tax has been provided at the applicable income tax rate of 25% on the assessable profits of the companies comprising the UHL Group during the Relevant Periods, except for Huixin Energy and Huaheng Energy which are taxed at concessionary rate in certain year/period.

During the Relevant Periods as set out below, the applicable EIT concessionary rate for 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.

Huixin Energy was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2012 to 2020. Accordingly, Huixin Energy is eligible for the EIT of 25%, 15% and 15% for the year ended 31 December 2011, 2012 and 2013, respectively.

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.

The income tax expense for the Relevant Periods can be reconciled to the (loss) profit before taxation per consolidated statements of profits or loss and other comprehensive income as follows:

	Period from 7 January 2011 (date of incorporation) to 31 December	**Years ended 31 December**	
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
(Loss) profit before taxation	(64)	126,087	235,868
PRC EIT at 25%	(16)	31,522	58,967
Tax effects of expenses not deductible for tax purpose	16	15,868	5,011
Tax effects of income not taxable for tax purpose	—	(1,925)	—
Tax effects of tax losses not recognised	—	974	547
Effect of concessionary tax rates granted to certain PRC subsidiaries	—	(609)	(4,583)
Effect on deferred tax balances due to change in income tax rate	—	3,882	—
Tax charge for the period/year	—	49,712	59,942

Tax effect of expenses not deductible in determining taxable profit mainly represents the tax effect of non-deductible entertainment and promotion expenses that exceeding the prescribed amount allowed under the PRC tax legislation and non-deductible interest expenses on borrowings for the Relevant Periods.

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors' emoluments

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	Years ended 31 December 2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Director's fee	—	—	—
Salaries and allowances	—	—	—
Retirement benefits contributions	—	—	—
	—	—	—

	Directors' fees	Salaries and allowances	Retirement benefits contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of director				
Period from 7 January (date of incorporation) to 31 December 2011, year ended 31 December 2012				
Sze Hon Yang	—	—	—	—
Year ended 31 December 2013				
Sze Hon Yang (resigned on 11 January 2013)	—	—	—	—
Wang Jian Qin (appointed on 11 January 2013)	—	—	—	—
	—	—	—	—

Employees' emoluments

The five highest paid individuals do not include any director for the period from 7 January 2011 (date of incorporation) to 31 December 2011, years ended 31 December 2012 and 2013. During the Relevant Periods, the emoluments of the five highest paid individuals, whose emoluments individually is less than HK$1,000,000, except one of these individuals whose emolument fell within the band HK$1,000,001 to HK$1,500,000 (approximately RMB811,700 to RMB1,217,600) during the years ended 31 December 2012 and 2013, are as follows:

	Period from 7 January 2011 (date of incorporation) to 31 December	Years ended 31 December	
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries and other benefits	—	2,760	2,760
Retirement benefits contributions	—	257	235
	—	3,017	2,995

During the Relevant Periods, no emoluments were paid by the UHL Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the UHL Group or as compensation for loss of office. None of the directors waived any of their remuneration during the Relevant Periods.

12. EARNINGS PER SHARE

No earnings per share for the Relevant Periods is presented as its inclusion is considered not meaningful for the purpose of this report.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Buildings	Pipeline	Vehicles	Furniture, fixture and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 7 January 2011 (date of incorporation)	—	—	—	—	—	—	—
Acquisition of a subsidiary *(note 33)*	707,318	115,496	—	39,383	1,814	8,168	872,179
At 31 December 2011	707,318	115,496	—	39,383	1,814	8,168	872,179
Additions	576	434	—	1,716	782	9,601	13,109
Acquisition of a subsidiary/ obtaining control of a non-wholly owned subsidiary *(note 33)*	15,309	5,499	23,145	2,395	404	12,049	58,801
Transfer	3,532	12,057	—	—	—	(15,589)	—
Disposals	—	—	—	(462)	(2)	—	(464)
At 31 December 2012	726,735	133,486	23,145	43,032	2,998	14,229	943,625
Additions	6,929	36	—	3,172	4,152	47,986	62,275
Transfer	18,490	7,816	18,265	—	3,578	(48,149)	—
Disposals	—	—	—	(1,161)	—	—	(1,161)
At 31 December 2013	752,154	141,338	41,410	45,043	10,728	14,066	1,004,739
ACCUMULATED DEPRECIATION							
At 7 January 2011 (date of incorporation)	—	—	—	—	—	—	—
At 31 December 2011	—	—	—	—	—	—	—
Provided for the year	39,748	6,151	—	8,931	674	—	55,504
Eliminated on disposals	—	—	—	(102)	—	—	(102)
At 31 December 2012	39,748	6,151	—	8,829	674	—	55,402
Provided for the year	41,152	6,375	1,517	9,583	1,373	—	60,000
Eliminated on disposals	—	—	—	(790)	—	—	(790)
At 31 December 2013	80,900	12,526	1,517	17,622	2,047	—	114,612
CARRYING VALUES							
At 31 December 2011	707,318	115,496	—	39,383	1,814	8,168	872,179
At 31 December 2012	686,987	127,335	23,145	34,203	2,324	14,229	888,223
At 31 December 2013	671,254	128,812	39,893	27,421	8,681	14,066	890,127

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis, taking into account residual value, over their estimated useful lives:

Plant and machinery	10–20 years
Buildings	20 years
Pipeline	20 years
Vehicles	4–8 years
Furniture, fixtures and equipment	3–5 years

The buildings are situated in the PRC and held under medium-term lease.

Vehicles with carrying value of RMB38,196,000, RMB30,192,000 and RMB13,328,000 are held under finance lease as at 31 December 2011, 2012 and 2013, respectively.

Buildings with carrying value of RMB49,402,000, RMB60,258,000 and RMB58,147,000 as at 31 December 2011, 2012 and 2013, respectively located in the PRC are in the process of obtaining the building certificates.

14. PREPAID LEASE PAYMENTS

Prepaid lease payments represent land use rights in the PRC obtained by the UHL Group under medium-term lease and are analysed for reporting purposes as:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	890	1,349	1,349
Non-current assets	24,983	42,558	41,683
	25,873	43,907	43,032

At 31 December 2012 and 2013, the UHL Group is in the process of applying for the land use right certificates for a piece of land located in the PRC amounting to approximately RMB3,158,000 and RMB3,562,000, respectively. In the opinion of the directors of UHL, the UHL Group is not required to incur additional cost in obtaining the land use right certificates for such piece of land in the PRC.

15. GOODWILL

	Total
	RMB'000
COST	
At 7 January 2011 (date of incorporation)	—
Acquisition of subsidiaries *(note 33)*	100,214
At 31 December 2011	100,214
Obtaining control of a non-wholly owned subsidiary/acquisition of a subsidiary *(note 33)*	3,469
At 31 December 2012 and 31 December 2013	103,683
ACCUMULATED IMPAIRMENT	
At 7 January 2011 (date of incorporation), at 31 December 2011, 31 December 2012 and 31 December 2013	—
CARRYING AMOUNTS	
At 31 December 2011	100,214
At 31 December 2012 and 31 December 2013	103,683

During the period from 7 January 2011 (date of incorporation) to 31 December 2011, the UHL Group acquired 96.5% equity interests of Yuanheng Gas and its subsidiaries (collectively refer to as "Yuanheng Gas Group"), which are principally engaged in production and sales of LNG at a total consideration of RMB113,642,000 as set out in note 33.

During the year ended 31 December 2012, the UHL Group has (i) acquired 51% equity interest of Heze Lvjie in July 2012 by capital injection and (ii) obtained control over Huaheng Energy and accounted for Huaheng Energy as a subsidiary of the UHL Group since 28 December 2012 as set out in note 33.

For the purposes of impairment testing during the period from 7 January (date of incorporation) to 31 December 2011, goodwill has been allocated to Yuanheng Gas, Xingxing Energy and Huixin Energy, together as one group of cash generating units, which represents the lowest level within the UHL Group at which goodwill is monitored for internal management purposes and is not larger than the operating segment of wholesale of LNG. For the purposes of impairment testing during the years ended 31 December 2012 and 2013, goodwill has been allocated to (i) Heze Lvjie as one cash generating unit ("CGU"), (ii) Huaheng Energy as one CGU and (iii) Yuanheng Gas, Xingxing Energy and Huixin Energy, together as one group of CGUs, that are expected to benefit from these business combinations. As at 31 December 2011, 2012 and 2013, the management of the UHL Group determined that there is no impairment of any of its goodwill.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling price and direct costs during the projection period. The directors of UHL estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

For the purpose of impairment testing, the UHL Group prepares cash flow projections covering periods ranging from 5 years to 8 years for Yuanheng Gas, Xingxing Energy and Huixin Energy; and based on the remaining operating period of an exclusive operating licence for Huaheng Energy and a 5-year period for Heze Lvjie. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of (i) 16.77%, 15.26% and 14.80% for the period from 7 January 2011 (date of incorporation) to 31 December 2011, the years ended 31 December 2012 and 2013, respectively, for Yuanheng Gas, Xingxing Energy and Huixin Energy, and (ii) 16.46% and 18.75% for both the year ended 31 December 2012 and the 2013 for Huaheng Energy and Heze Lvjie, respectively. The cash flows projections beyond the 5-year period are extrapolated using a steady 3% growth rates. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. The directors of the UHL believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the assets of the CGUs to exceed the aggregate recoverable amount of the assets of the CGUs.

16. INTANGIBLE ASSET

The intangible asset of the UHL Group represents Huaheng Energy's exclusive operating right of sales of piped gas to white wine distillery factories located in Huairen City of Guizhou Provinces in PRC under a supplementary agreement entered into among Yuanheng Gas, Huixin Energy and貴州燃氣(集團)有限責任公司 (Guizhou Gas (Group) Co., Ltd) ("Guizhou Gas"), where Guizhou Gas, which obtained an exclusive operating licences from local government for the operation of sales of piped gas in designated areas in Huairen City of Guizhou Provinces in PRC ("Designated Area") over a period from the year 2007 to 2037, granted exclusive right to Huaheng Energy to operate in the Designated Area. The intangible asset has finite useful lives, and is amortised on a straight-line basis over the remaining operating period of 25 years.

	Operating right
	RMB'000
COST	
At 7 January 2011 (date of incorporation) and 31 December 2011	—
Acquisition of subsidiaries *(note 33)*	9,837
At 31 December 2012 and 31 December 2013	9,837
ACCUMULATED AMORTISATION	
At 7 January 2011 (date of incorporation) and 31 December 2011 and 2012	—
Provide for the year	394
At 31 December 2013	394
CARRYING AMOUNTS	
At 31 December 2011	—
At 31 December 2012	9,837
At 31 December 2013	9,443

17. INTERESTS IN ASSOCIATES

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Cost of unlisted investment in associates	—	—	30,000
Share of post-acquisition result	—	—	—
	—	—	30,000

The UHL Group's associates accounted for using the equity method and their details are as follow:

Name of associate	Place and date of establishment	Paid-in capital/ registered capital	Effective equity interest attributable to the UHL Group At 31 December 2011	2012	2013	Principal activities
鄂爾多斯市九安喜順物流有限公司 ("Jiu An Xi Shun Logistic")	PRC 8 January 2007	RMB10,000,000	19.3%	20.0%	20.0%	Provision of logistic service
貴州燃氣(集團)天然氣支線管道有限公司 ("Guiran Pipeline Company")	PRC 25 July 2013	RMB150,000,000	N/A	N/A	20.0%	Investment in LNG pipeline infrastructure

Summarised financial information in respect of the UHL Group's associates is set out below. Aggregated information of associates are presented as the UHL Group's associates are not individually material.

	As at 31 December 2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Current assets	9,567	15,806	195,105
Non-current assets	24,902	19,055	15,217
Current liabilities	(27,702)	(34,615)	(73,629)
Non-current liabilities	(8,215)	(6,957)	(941)
UHL Group's share of net assets of associates	—	—	30,000

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	Years ended 31 December 2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Total revenue	—	43,975	37,580
Total loss for the period/year	—	(5,263)	(7,537)
UHL Group's share of result of associates	—	—	—

No results of Guiran Pipeline Company have been shared by the UHL Group during the Relevant Periods as Guiran Pipeline Company has only been established on 25 July 2013 with no operation commenced during the Relevant Periods since its establishment.

The UHL Group has discontinued recognition of the share of losses of Jiu An Xi Shun Logistic as of the fact that at the date of acquisition of Yuanheng Gas Group, Jiu An Shi Shun Logistic's total liabilities exceeded its total assets.

The amounts of unrecognised share of Jiu An Xi Shun Logistic, extracted from its relevant management account, is as follows:

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	Years ended 31 December 2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Unrecognised share of loss of the associate for the year/period	—	(1,053)	(1,507)
Accumulated unrecognised share of losses of the associate	—	(1,053)	(2,560)

18. INTEREST IN A JOINT VENTURE

	As at 31 December 2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Cost of unlisted investment in a joint venture	15,147	—	—
Share of post-acquisition result	—	—	—
	15,147	—	—

Details of the UHL Group's joint venture accounted for using the equity method and its details are as follow:

Name of joint venture	Place and date of establishment	Effective equity interest attributable to the UHL Group At 31 December 2011	2012	2013	Principal activity
貴州華亨能源投資有限公司 ("Huaheng Energy")	PRC 24 June 2011	48.0%	N/A	N/A	Sales of piped gas

In June 2011, a joint venture agreement has been entered into among Yuanheng Gas, Huixin Energy and Guizhou Gas to establish Huaheng Energy which principally engaged in sales of piped gas to white wine distillery factories located in Guizhou Provinces in the PRC. The paid up capital of RMB14,700,000, RMB300,000 and RMB15,000,000 was contributed by Yuanheng Gas, Huixin Energy and Guizhou Gas as joint venturers for the equity interest of 49%, 1% and 50%, respectively, Huaheng Energy became a joint venture of UHL Group upon acquisition of the Yuanheng Gas in 2011 by UHL and is accounted for under the equity method in the Financial Information. On 28 December 2012, the UHL Group obtained control over Huaheng Energy which then became a non-wholly owned subsidiary of the UHL Group and ceased to be accounted for as a joint venture as set out in note 33.

Summarised financial information in respect of Huaheng Energy during the Relevant Periods as a joint venture of the UHL Group which is accounted for using equity method in the Financial Information are set out as below:

Huaheng Energy:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	13,959	—	—
Non-current assets	23,982	—	—
Current liabilities	(8,365)	—	—
Non-current liabilities	—	—	—
The above amounts of assets and liabilities include the followings:			
Cash and cash equivalents	11,027	—	—
The reconciliation of the summarised financial information to the carrying amount of interest in joint venture is as follows:			
Net assets of Huaheng Energy	29,576	—	—
Proportion of the UHL's ownership interest in Huaheng Energy	49.7%	—	—
Effect of fair value adjustments at acquisition	359	—	—
UHL Group's share of net assets of joint venture	15,147	—	—

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	Years ended 31 December 2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Revenue	—	24,273	—
Finance costs	—	—	—
Other expenses and other income	—	(24,367)	—
Loss and total comprehensive expense for the period	—	(94)	—
UHL Group's share of loss and total comprehensive expense for the period	—	(47)	—
The above losses for the period include the followings:			
Depreciation and amortisation	—	430	—
Interest income	—	—	—
Income tax expense	—	68	—
Net cash used in operating activities	—	(11,670)	—
Net cash used in investing activities	—	(28,520)	—
Net cash from financing activities	—	35,000	—
Net cash outflow	—	(5,190)	—

Note: The amount represented the financial information of Huaheng Energy that being accounted for as a joint venture of the UHL Group for the period from the date of acquisition of Yuanheng Gas by UHL to 28 December 2012, the date that Huaheng Energy ceased to be a joint venture of the UHL Group.

19. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised by the UHL Group and movements thereon during the Relevant Periods.

	Accelerated tax depreciation	Revaluation of properties and intangible asset	Temporary difference on accruals	Tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 7 January 2011 (date of incorporation)	—	—	—	—	—	—
Acquisition of subsidiaries *(note 33)*	(9,235)	(2,132)	944	13,808	804	4,189
At 31 December 2011	(9,235)	(2,132)	944	13,808	804	4,189
Effect of change in tax rate	1,702	—	(61)	(5,523)	—	(3,882)
Obtaining control of a non-wholly owned subsidiary *(note 33)*	—	(1,476)	—	—	—	(1,476)
(Charge) credit to profit or loss	(3,855)	115	(63)	(2,842)	(804)	(7,449)
At 31 December 2012	(11,388)	(3,493)	820	5,443	—	(8,618)
Charge to profit or loss	(2,628)	174	1,108	(5,443)	—	(6,789)
At 31 December 2013	(14,016)	(3,319)	1,928	—	—	(15,407)

Under the EIT law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. The aggregate amount of undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised as at 31 December 2011, 2012 and 2013 was approximately RMB6,966,000, RMB12,578,000 and RMB24,812,000, respectively.

No deferred tax liabilities have been recognised in respect of these undistributed earnings because the management of the Group decided to retain all undistributed earnings prior to 31 December 2013 for business purposes, and consequently will not be subject to dividend declaration in the foreseeable future.

For the purpose of presentation in the consolidated statements of financial position, certain deferred taxation assets and liabilities have been offset. The following is the analysis of the deferred taxation balance for financial reporting purposes.

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	12,720	3,360	320
Deferred tax liabilities	(8,531)	(11,978)	(15,727)
	4,189	(8,618)	(15,407)

The UHL Group had unutilised tax losses of approximately RMB57,262,000, RMB42,212,000 and RMB8,114,000 as at 31 December 2011, 2012 and 2013, respectively. A deferred tax asset has been recognised in respect of such tax losses of approximately RMB55,232,000, RMB36,287,000 and RMB nil as at 31 December 2011, 2012 and 2013, respectively. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB2,030,000, RMB5,925,000 and RMB8,114,000 as at 31 December 2011, 2012 and 2013, respectively, due to the unpredictability of future profit streams.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
2015	1,829	1,829	1,829
2016	201	201	201
2017	—	3,895	3,895
2018	—	—	2,189
	2,030	5,925	8,114

Other than the above amounts, the UHL Group had no other significant unrecognised deferred taxation.

20. INVENTORIES

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	1,780	6,138	995
Finished goods	10,591	11,141	10,467
Spare parts and consumable	11,906	12,224	14,568
	24,277	29,503	26,030

21. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	321	39,509	156,036
Bills receivables	80,000	81,695	177,112
Other receivables	33,321	21,642	12,202
Prepayments	18,698	7,452	22,007
Amount due from a former equity owner of subsidiaries *(note)*	—	12,000	22,000
	132,340	162,298	389,357

Note: The amount is unsecured, interest-free and repayable on demand.

The UHL Group generally requires prepayments made by customers before delivery of goods or provision of services, except for certain customers to which the UHL Group allows an average credit period of 30 to 60 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods or rendering of services which approximated the respective dates on which revenue was recognised.

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	271	26,156	117,841
31–60 days	—	13,315	26,890
61–180 days	40	28	11,122
Over 180 days	10	10	183
	321	39,509	156,036

The following is an aged analysis of bills receivables:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Within three months	80,000	81,695	33,300
Three months to six months	—	—	143,812
	80,000	81,695	177,112

Before accepting any new customer, the UHL Group assesses the potential customer's credit quality and defines credit limits by customer. The directors of the UHL are of the opinion that the credit quality of the trade receivable balances that are neither past due nor impaired as at the end of the reporting period is good as the repayment history of the debtors is satisfactory.

Included in the UHL Group's trade receivable balances are debtors with aggregate carrying amount of approximately RMB50,000, RMB38,000 and RMB11,305,000 which are past due at 31 December 2011, 2012 and 2013, respectively, for which the UHL Group has not provided for impairment loss as the management considered the amounts are still recoverable. The UHL Group does not hold any collateral over these balances.

The ageing analysis of trade receivables which are past due but not impaired are as follows:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
61–180 days	40	28	11,122
Over 180 days	10	10	183
	50	38	11,305

No impairment has been recognised on trade receivables during the Relevant Periods. All trade receivables are assessed not to be impaired individually and therefore, they are subsequently assessed for impairment on a collective basis. The UHL Group does not hold any collateral over these balances.

No impairment has been recognised on other receivables during the Relevant Periods. The directors of UHL are of the opinion that the other receivables are not impaired as the amounts mainly represent value-added tax recoverable, advances to staff, deposit paid to guarantors who provide financial guarantee to the UHL Group and short-term advances to third parties which were substantially settled subsequent to the Relevant Periods.

Transfer of financial assets

The followings were the UHL Group's financial assets as at the end of each reporting period that were transferred to banks, third parties or suppliers by discounting or endorsing those bills receivables on a full recourse basis. As the UHL Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and the corresponding liabilities included in secured borrowings, other loans or trade payables respectively. These financial assets are carried at amortised cost in the UHL Group's consolidated statements of financial position.

Bills receivable discounted or endorsed

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of bills receivables from			
— external customers	30,000	79,205	95,589
— intra-group customers *(note)*	328,822	266,400	33,300
Carrying amount of trade and other payables	(10,394)	—	(24,000)
Carrying amount of bank borrowings	(286,428)	(79,205)	(104,889)
Carrying amount of other borrowings	(62,000)	(266,400)	—

Note: Such bills receivables are arising from intra-group transactions which have been fully eliminated on consolidation.

22. AMOUNT DUE FROM A NON-CONTROLLING EQUITY OWNER/A FORMER EQUITY OWNER OF SUBSIDIARIES

Amounts due from a non-controlling equity owner of subsidiaries

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Non-controlling equity owner of Huixin Energy and Xingxing Energy *(note)*	30,521	33,138	34,654

Note: The amount is unsecured, interest bearing at 9.6% per annum. In the opinion of the directors of UHL, the amount is not expected to be recovered within twelve months from end of each reporting period and accordingly is classified as a non-current asset.

Amount due from a former equity owner of subsidiaries

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
A former equity owner of Huixin Energy and Xingxing Energy	65,700	70,838	74,484

The amount is unsecured, interest bearing at rates ranging from 9.6% to 12% per annum and is not expected to be recovered within twelve months from the end of each reporting period and accordingly is classified as a non-current asset.

23. AMOUNT DUE FROM/TO AN ASSOCIATE

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Amount due from an associate	—	20	—
Amount due to an associate	—	—	228

The amount is unsecured, interest-free and repayable on demand.

24. AMOUNTS DUE FROM RELATED PARTIES

	As at 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
廣東華亨能源有限公司 (Guangdong Huangheng Energy Company Limited) ("Guangdong Huaheng") *(note 1)*	29,550	29,550	—
廣州元亨能源有限公司(Guangzhou Circle Energy Company Limited) ("Circle Energy") *(note 2)*	—	—	84,445
	29,550	29,550	84,445

The maximum amounts outstanding during the year/period are as follow:

	Period from 7 January 2011 (date of incorporation) to 31 December	Years ended 31 December	
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties			
Guangdong Huaheng	29,550	29,550	—
Circle Energy	—	—	84,445

Note 1: A company which (i) Mr. Wang Jianqin ("Mr. Wang"), UHL Group's ultimate controlling shareholder and the sole director of UHL from 11 January 2013, has 90% equity interest; and (ii) Mr. Wang Jian, a brother of Mr.Wang has 10% equity interest, became related party of UHL since 11 January 2013. The amount is unsecured, interest-free and repaid in November 2013.

Note 2: A company which (i) Mr. Wang is a key management personnel; and (ii) a director of Yuanheng Gas has equity interests with significant influence. The amount represents prepayment for purchase of liquefied natural gas and trade receivable, which aged within 30 days based on the date of delivery of goods which approximated the respective dates on which revenues was recognised. Amount is unsecured, interest-free and repayable on demand.

25. SHORT-TERM INVESTMENTS

As at 31 December 2013, the UHL Group's short-term investments mainly represent financial products issued by a bank in the PRC, with an expected but not guaranteed return of 3.7% per annum, depending on the market price of its underlying financial instruments, including listed debentures. The financial products are designated at FVTPL on initial recognition as they contain embedded derivatives that are not closely related to the host contract. The directors of UHL consider the fair value of the financial products approximate to their principal amounts as at 31 December 2013 and the fair value of the embedded derivatives is insignificant. No fair value change is recognised during the year 31 December 2013. The short-term investments were settled in January 2014 at the principal amounts together with returns which approximated the expected return.

26. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less.

Bank balances carry interest at market rates with market rates of 0.36% to 3.30% per annum, as at 31 December 2011, 2012 and 2013.

The pledged bank deposits carrying interest rates which range from 2.80% to 3.50% per annum, amounting to (i)RMB310,146,000, RMB261,957,000 and RMB77,800,000 have been pledged to secure bills payable repayable within six months and (ii) nil, RMB44,660,000 and RMB140,000,000 have been pledged to secure bank borrowings which will be released upon the settlement, as at 31 December 2011, 2012 and 2013 respectively.

27. TRADE AND OTHER PAYABLES

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	29,737	67,992	59,390
Bills payables	100,000	30,000	203,000
Other payables	24,041	23,969	40,141
Other tax payables	23,257	31,217	27,228
Construction fee payables	4,568	4,496	4,156
Compensation payable	10,442	10,442	10,442
Consideration payable *(note 1)*	47,000	47,000	47,000
Amount due to a third party *(note 2)*			
— interest bearing portion at 16% per annum	30,500	—	—
— interest-free portion	513	5,231	4,731
Receipts in advance	42,000	30,196	68,671
Payroll payables	3,775	3,686	3,528
	315,833	254,229	468,287

Notes:

1. The amount represents consideration payable to a former non-controlling equity owner of Xingxing Energy and Huixin Energy regarding the acquisition of 39% equity interest in Xingxing Energy and Huixin Energy by Yuanheng Gas prior to the acquisition by UHL in 2011. The amount is unsecured, interest-free and repayable on demand.

2. The amount is unsecured and repayable on demand.

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

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	18,497	60,349	54,099
91–180 days	1,152	1,163	1,672
181–365 days	4,208	104	714
Over 1 years	5,880	6,376	2,905
	29,737	67,992	59,390

The average credit period on purchase of goods is 30 to 90 days.

28. AMOUNTS DUE TO NON-CONTROLLING EQUITY OWNERS OF SUBSIDIARIES

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
A non-controlling equity owner of Huaheng Energy *(note 1)*	—	—	35,866
Non-controlling equity owners of Yuanheng Gas			
— 南通中燁石化有限公司 (Nantong Zhongye Petroleum and Chemical Company Limited) ("Nantong Zhong Ye") *(note 2)*	106,000	—	—
— 劉福鷗 (Liu Fu Ou) *(note 3)*	27,725	29,013	—
	133,725	29,013	35,866

Note 1: The amount represents payable to a non-controlling equity owner of Huaheng Energy for purchase of LNG, which is unsecured, interest-free and repayable on demand.

Note 2: The amount is unsecured, interest-free and repayable on demand.

Note 3: Mr. Liu Fu Ou had equity interests in Yuanheng Gas and such interests were sold to Ying Luen in January 2013. The amount was unsecured, interest-bearing at 6.44% per annum and repayable on demand. The amount was fully repaid in 2013.

29. AMOUNTS DUE TO RELATED PARTIES

		As at 31 December		
		2011	2012	2013
Amounts due to related parties		*RMB'000*	*RMB'000*	*RMB'000*
Circle Energy	(1)			
— interest bearing portion at 16%		131,730	56,757	—
— interest-free portion	(2)	151,932	261,849	500
好盈(南通)實業有限公司 (Haoying Nantong Company Limited) ("Haoying Nantong")	(3)			
— interest bearing portion at 16%		10,000	—	—
— interest-free portion		34,676	4,200	4,200
東莞虎門電廠 (Dongguan Human Power) ("Humen Power")	(4)	1,000	—	—
佛山市海源化工燃料有限公司 (Foshan Huiyuan Chemical fuel Company Limited) ("Foshan Huiyuan")	(4)	22,360	—	—
江蘇潤富新能源發展有限公司 (Jiangsu Runfu New Energy Development Co., Ltd.) ("JS Runfu")	(5)	—	25,947	—
		351,698	348,753	4,700

Except for certain portion of the amounts due to Circle Energy and Haoying Nantong which are interest bearing, the amounts due to related parties are unsecured, interest-free and repayable on demand.

(1) A company which Mr. Wang is a key management personnel.

(2) Amount represents receipt in advances for the sales of goods.

(3) A company which (i) Mr. Wang, UHL Group's ultimate controlling shareholder and a director of UHL, has equity interest and control over it; and (ii) Mr. Wang Jian, a brother of Mr. Wang has equity interest and significant influence over it.

(4) Companies which are subsidiaries of Circle Energy.

(5) A company which Mr. Wang Jian, a brother of Mr. Wang, has equity interests and control over it.

30. BANK AND OTHER BORROWINGS

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	577,428	375,205	693,889
Other borrowings	83,476	291,129	9,769
	660,904	666,334	703,658
Bank and other borrowings repayable:			
— Within 1 year or on demand	604,904	641,334	641,658
— More than 1 year, but not exceeding 2 years	56,000	25,000	29,000
— More than 2 years, but not exceeding 5 years	—	—	18,000
— More than 5 years	—	—	15,000
	660,904	666,334	703,658
Less: Amount due within one year and shown under current liabilities	(604,904)	(641,334)	(641,658)
Amount repayable after one year and shown under non-current liabilities	56,000	25,000	62,000
Analysed as:			
Secured	639,428	641,605	638,889
Unsecured	21,476	24,729	64,769
	660,904	666,334	703,658

The bank and other borrowings due for repayment are classified based on the scheduled repayment dates as set out in the relevant loan agreements, where applicable. The secured bank loans as at end of each reporting period were secured by the UHL Group's assets and guarantee by related parties as set out in notes 36 and 40, respectively.

As at 31 December 2011, 2012 and 2013, financial guarantees of RMB40,000,000, nil and nil were given by a third party in respect of bank borrowings granted to the UHL Group.

The ranges of effective interest rates per annum (which are also equal to contractual interest rates) on the UHL Group's bank and other borrowings are as follows:

	As at 31 December		
	2011	**2012**	**2013**
Fixed-rate bank borrowings	6.88%–9.09%	6.50%–6.60%	6.50%–7.84%
Fixed-rate other borrowings	7.44%–16.00%	8.87%–16.00%	6.12%–7.79%
Floating-rate bank borrowings	6.56%–8.53%	6.15%–8.32%	6.15%–8.10%

Floating-rate borrowings amounted to RMB161,000,000, RMB106,000,000 and RMB128,769,000 at 31 December 2011, 2012 and 2013 respectively. The borrowings are arranged at the interest rate based on benchmark interest rate from the People's Bank of China ("Benchmark Rate") plus, if applicable, a premium and expose the UHL Group to cash flow interest rate risk.

As at the end of each reporting periods, the secured bank and other borrowing included bills receivables transferred to banks and third parties by discounting or endorsing those bills receivables on a full recourse basis. As the UHL Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and the corresponding liabilities included in secured bank and other borrowings (note 21 for details).

All bank and other borrowings of the UHL Group are denominated in RMB.

31. OBLIGATIONS UNDER FINANCE LEASES

The UHL Group leased certain of its vehicles under finance leases. The lease term is ranging from 3 years to 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5.76% to 7.56% per annum. These leases have terms of renewal or purchase options that the UHL Group has the ability to continue the lease for a secondary period at a rent or purchase at a consideration that is substantially lower than the market value.

The UHL Group's obligations under finance leases are secured by the lessor's charge over the abovementioned leased assets (see note 13 and 36).

	Minimum lease payments As at 31 December			Present value of minimum lease payments As at 31 December		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amount payable under finance leases						
Within one year	12,570	8,920	6,749	9,525	6,446	5,234
Later than one year and not later than two years	8,382	6,749	6,749	6,041	5,234	5,983
Later than two year and not later than five years	14,386	9,254	2,504	12,279	8,355	2,371
	35,338	24,923	16,002	27,845	20,035	13,588
Less: future finance charges	(7,493)	(4,888)	(2,414)	N/A	N/A	N/A
Present value of minimum lease payments	27,845	20,035	13,588	27,845	20,035	13,588
Less: Amounts due for settlement within twelve months (shown under current liabilities)				(9,525)	(6,446)	(5,234)
Amounts due for settlement after twelve months				18,320	13,589	8,354

32. SHARE CAPITAL

	Number of shares	Share capital
		US$
Ordinary shares of US$1 each		
Authorised:		
At 7 January 2011 (date of incorporation)	50,000	50,000
Increase on 16 December 2011	32,950,000	32,950,000
At 31 December 2011, 31 December 2012	33,000,000	33,000,000
Increase on 30 September 2013	67,000,000	67,000,000
At 31 December 2013	100,000,000	100,000,000
Issued and fully paid:		
Issue of share upon incorporation and balance at 31 December 2011, and 31 December 2012	1	1
Issue of share by capitalisation of the shareholder's contribution account	59,529,839	59,529,839
At 31 December 2013	59,529,840	59,529,840

For disclosure:

	Share capital
	RMB'000
At 31 December 2011	—
At 31 December 2012	—
At 31 December 2013	376,870

UHL was incorporated in the BVI on 7 January 2011 with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. One subscriber share of US$1 was allotted and issued for cash to provide the initial capital of UHL.

On 16 December 2011, a sole shareholder resolution of UHL was passed that the authorised share capital of UHL was increased from US$50,000 to US$33,000,000 by the creation of an additional 32,950,000 shares of US$1 each.

On 30 September 2013, a sole shareholder resolution of UHL was passed that the authorised share capital of UHL was further increased from 33,000,000 to 100,000,000 by creation of additional 67,000,000 ordinary shares of US$1 par value each, and UHL issued 59,529,839 ordinary shares by capitalisation of RMB376,870,000 in the shareholder's contribution account.

33. ACQUISITION OF SUBSIDIARIES

Period from 7 January 2011 (date of incorporation) to 31 December 2011

Acquisition of 96.5% equity interest of Yuanheng Gas

On 29 September 2011, Ying Luen, Nantong Zhong Ye and the remaining equity owner of Yuanheng Gas entered into a capital expansion and injection agreement (the "Agreement"). Pursuant to the Agreement, Ying Luen has agreed to contribute a registered capital of RMB200,000,000, where Nantong Zhong Ye and another equity owner have agreed to contribute registered capital of RMB5,431,500 and RMB603,500, respectively. Upon the completion of the capital injections to Yuanheng Gas, 96.5%, 3.15% and 0.35% of equity interest in Yuanheng Gas would be held by Ying Luen, Nantong Zhong Ye and another equity holder, respectively.

In October 2011, Yuanheng Gas obtained the approval from Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality ("BOFTEC") for its change from a PRC limited liability company to a sino-foreign equity joint venture enterprise with the registered capital increased from RMB1,000,000 to RMB201,000,000. Pursuant to the Agreement, Ying Luen made cash capital injections of an aggregated amount of RMB200,000,000 by instalment from December 2011 to February 2012 which (i) increased the amount of the paid-in capital of Yuanheng Gas by RMB113,642,000 during the year ended 31 December 2011; and (ii) increased the amount of the paid-in capital and capital reserve of Yuanheng Gas by RMB80,323,000 and RMB6,035,000 respectively during the year ended 31 December 2012. Nantong Zhong Ye made a cash capital injection of RMB5,431,500 which increased the amount of the paid-in capital by RMB5,431,500 in February 2012 while the remaining equity holder did not make the agreed capital injection of RMB603,500 up to the date of this report. In December 2011, UHL obtained the control over the decision making on relevant activities of Yuanheng Gas at board of directors' meeting and became the holding company of Yuanheng Gas.

Consideration transfer:

	Total *RMB'000*
Satisfied by cash capital injection during the period from 7 January 2011 (date of incorporation) to 31 December 2011	113,642

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and have been recognised as an expense in the period within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Total
	RMB'000
Property, plant and equipment	872,179
Prepaid lease payments	25,873
Interest in a joint venture	15,147
Amount due from a non-controlling equity owner of subsidiaries	30,521
Amount due from a former equity owner of subsidiaries	65,700
Deferred tax assets	12,720
Deposits for property, plant and equipment under financial leases	4,969
Inventories	24,277
Trade and other receivables	132,340
Amounts due from related parties	29,550
Pledged bank deposits	310,146
Cash and cash equivalents	58,267
Trade and other payables	(284,749)
Amounts due to non-controlling equity owners of a subsidiary	(133,725)
Amounts due to related parties	(382,711)
Tax payables	(38,177)
Bank and other borrowings	(660,904)
Deferred tax liabilities	(8,531)
Obligations under finance leases	(27,845)
Net assets acquired	45,047

The fair value of trade and other receivables, amount due from non-controlling equity owner of subsidiaries, amount due from a former equity owner of subsidiaries and amounts due from related parties at the date of acquisition amounted to RMB132,340,000, RMB30,521,000, RMB65,700,000 and RMB 29,500,000, respectively, approximate to their gross contractual amounts at the date of acquisition.

Cash and cash equivalents recognised are analysed as:

	Total
	RMB'000
Capital injection by Ying Luen	113,642
Less: Prepayment for purchase of LNG prior to completion of acquisition	(81,000)
Cash and cash equivalents of Yuanheng Gas Group acquired at date of acquisition	25,625
Cash and cash equivalents recognised at date of acquisition	58,267

Goodwill arising on acquisition:

	Total
	RMB'000
Fair value of consideration given for controlling interests	113,642
Non-controlling interests	31,619
Less: Fair value of net assets acquired	(45,047)
Goodwill arising on acquisition	100,214

The non-controlling interests amounting to approximately RMB31,619,000, was measured by reference to the proportionate share of the fair value of net identifiable assets/liabilities attributable to the non-controlling equity owners of Yuanheng Gas, Xingxing Energy and Huixin Energy recognised at the date of acquisition.

Goodwill arose on the acquisition of Yuanheng Gas because the cost of the combination included a control premium and the future profitability as at acquisition date. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

No profit for the period from 7 January 2011 (date of incorporation) to 31 December 2011 is attributable to the additional businesses generated by Yuanheng Gas. No revenue for the period from 7 January 2011 (date of incorporation) to 31 December 2011 is generated from Yuanheng Gas. Had the above acquisition been completed on 7 January 2011 (date of incorporation), the revenue of the UHL Group for the period from 7 January 2011 (date of incorporation) to 31 December 2011 would have been approximately RMB1,025,396,000, and the profit for the period would have been approximately RMB68,043,000.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the UHL Group that actually would have been achieved had the acquisition been completed at 7 January 2011 (date of incorporation), nor is intended to be a projection of future results.

Year ended 31 December 2012

Acquisition of 51% equity interests of Heze Lvjie

Heze Lvjie was established on 3 June 2011 as limited liability company by 菏澤交通集團總公司(Heze Transportation Group Co., Ltd) ("Heze Transportation Group") and 菏澤鴻運實業有限公司(Heze Hongyun Industrial Co., Ltd) ("Heze Hongyun") with registered capital of RMB10,000,000. Heze Transportation Group and Heze Hongyun had contributed capital of RMB1,800,000 and RMB200,000 to Heze Lvjie representing the equity interests of 90% and 10% respectively. On 4 June 2012, a joint venture agreement ("Agreement") has been entered into among Yuanheng Gas, Heze Transportation Group, Heze Hongyun and 山東宏智交通投資開發有限公司(Shangdong Hongzhi Transportation Development Co., Ltd.) ("Shangdong Hongzhi"). Pursuant to the Agreement, Heze Hongyun would withdraw from the investment in Heze Lvjie where paid up capital would be transferred to Heze Transportation Group resulting in 100% equity interest being held by Heze Transportation Group. Besides, the registered capital increased from RMB10,000,000 to RMB30,000,000, of which RMB15,300,000, RMB11,400,000 and RMB3,300,000 would be contributed by the Yuanheng Gas, Heze Transportation Group and Shangdong Hongzhi respectively resulting in the holding of 51%, 38% and 11% equity interests of Heze Lvjie.

In July 2012, an equity owner resolution of Heze Lvjie was passed at a provisional shareholders' meeting to approve the transfer of paid up capital by Heze Hongyun to Heze Transportation Group, the increase of registered capital, the change of equity owners, respective amount of subscribed capital by each equity owner and timetable for their injection, amendments to memorandum and articles of association of the Heze Lvjie, termination of the existing directors and the appointment of new directors. In July 2012, Yuanheng Gas, Heze Transportation Group and Shangdong Hongzhi injected their respective amount of capital according to the resolution and entitle to the respective rights of equity owners. Yuanheng Gas has controlled the decision making on relevant activities of Heze Lvjie at shareholders' meetings and board of directors' meetings and hence obtained control over Heze Lvjie. Upon acquisition, registered capital of RMB10,000,000, RMB2,000,000 and RMB3,300,000 was contributed by Yuanheng Gas, Heze

Transportation Group and Shangdong Hongzhi, respectively; and registered capital of RMB5,300,000 and RMB9,400,000 will be further contributed by Yuanheng Gas and Heze Transportation Group, respectively.

	Total
	RMB'000
Capital injection by cash	10,000

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and have been recognised as an expense in the period within the "administrative expenses" line item in the consolidated statements of profit or loss and other comprehensive income.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	Total
	RMB'000
Property, plant and equipment	9,394
Prepaid lease payments	15,830
Inventories	161
Trade and other receivables	3,867
Cash and cash equivalents	14,185
Trade and other payables	(21,313)
Amounts due to non-controlling equity owners of a subsidiary	(6,824)
Net assets acquired	15,300

The fair value of trade and other receivables at the date of acquisition amounted to RMB3,867,000 approximates to their gross contractual amounts at the date of acquisition.

Net cash inflow arising on acquisition:

	Total
	RMB'000
Capital injection by Yuanheng Gas	(10,000)
Less: Cash and cash equivalents	14,185
Net cash inflow	4,185

Goodwill arising on acquisition:

	Total
	RMB'000
Fair value of consideration given for controlling interests	10,000
Non-controlling interests	5,300
Less: Fair value of net assets acquired	(15,300)
	—

The non-controlling interests amounting to approximately RMB5,300,000, was measured by reference to the fair value of the non-controlling interest of Heze Lvjie at the acquisition date. The director of UHL considered that the actual paid in capital injected by non-controlling equity owners of Heze Lvjie at the acquisition date approximate the fair value at the acquisition date.

Included in the profit for the year ended 31 December 2012 is approximately RMB720,000 attributable to the additional businesses generated by Heze. Revenue for the year includes approximately RMB43,396,000 generated from Heze Lvjie. Had the above acquisition been completed on 1 January 2012, the revenue of the UHL Group for the year ended 31 December 2012 would have been approximately RMB1,166,810,000, and the profit for the year would have been approximately RMB80,538,000.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the UHL Group that actually would have been achieved had the acquisition been completed at 1 January 2012, nor is intended to be a projection of future results.

Obtaining control of a non-wholly owned subsidiary, Huaheng Energy

In June 2011, a joint venture agreement has been entered into among Yuanheng Gas, Huixin Energy and Guizhou Gas to establish Huaheng Energy with paid up capital of RMB14,700,000, RMB300,000 and RMB15,000,000 contributed by Yuanheng Gas, Huixin Energy and Guizhou Gas as joint venturers for the equity interest of 49%, 1% and 50%, respectively, and Huaheng Energy became a joint venture of the Yuanheng Gas Group as set out in note 18.

For the benefits of long term developments of Huaheng Energy, Yuanheng Gas, Huixin Energy and Guizhou Gas entered into a supplementary agreement on 28 December 2012. Pursuant to which, Guizhou Gas has committed to follow the voting direction and decision of Yuanheng Gas on shareholders' meeting and board of directors' meeting except for certain special resolution relating to increase or reduction of registered capital, merger or spinoff, change of legal form, dismissal or liquidation of Huaheng and amendments to memorandum and articles of association of Huaheng Energy. As such, the directors of UHL are of the opinion that the UHL Group has obtained control over Huaheng Energy since the date of agreement. Huahong Energy was then ceased to be a joint venture but become subsidiary of the UHL Group.

Fair value of assets acquired and liabilities recognised at the date of obtaining control are as follows:

	Total
	RMB'000
Property, plant and equipment	49,407
Prepaid lease payments	3,158
Intangible asset	9,837
Inventories	6,621
Trade and other receivables	18,196
Cash and cash equivalents	5,838
Trade and other payables	(10,819)
Advance from customers	(1,544)
Tax payables	(68)
Amounts due to related parties	(6,307)
Bank borrowings	(25,000)
Deferred tax liabilities	(1,476)
Net assets acquired	47,843

The fair value of trade and other receivables amounted to RMB18,196,000 approximates to their gross contractual amounts at the date of obtaining control.

Net cash outflow arising on obtaining control:

	Total
	RMB'000
Cash consideration paid	—
Less: Cash and cash equivalents acquired	5,838
Net cash inflow	5,838

Goodwill arising on obtaining control:

	Total
	RMB'000
Fair value of consideration	—
Non-controlling interests	23,922
Plus: Fair value of previously-held interests	27,390
Less: Fair value of net assets acquired	(47,843)
Goodwill	3,469

Gain on discontinuance of equity accounting for joint venture:

	Total
	RMB'000
Fair value of previously-held interests	27,390
Less: carrying value of previously-held interests	(20,100)
Gain on discontinuance of equity accounting for joint venture	7,290

The non-controlling interests amounting to approximately RMB23,922,000, was measured by reference to the proportionate share of Huaheng Energy's net identifiable assets at the date the UHL Group obtained control.

Goodwill arose on the obtaining control of Huaheng Energy because the cost of the combination included a control premium and the future profitability as at date of obtaining control. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

No profit for the year ended 31 December 2012 is attributable to the additional businesses generated by Huaheng Energy as a subsidiary of the UHL Group. No revenue for the year is generated from Huaheng Energy. Had the above acquisition been completed on 1 January 2012, the revenue of the UHL Group for the year ended 31 December 2012 would have been approximately RMB1,167,619,000, and the profit for the year would have been approximately RMB76,328,000.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the UHL Group that actually would have been achieved had the acquisition been completed at 1 January 2012, nor is intended to be a projection of future results.

Year ended 31 December 2013

Acquisition of additional 3.5% equity interest of Yuanheng Gas

During the year ended 31 December 2013, UHL has acquired the remaining 3.5% equity interest of Yuanheng Gas from the remaining two equity owners at an aggregate consideration of approximately RMB6,432,000. The amount was settled in April 2013. The difference of RMB576,000 between that carrying amount of non-controlling interests of RMB5,856,000 and the consideration paid had been debited to other reserve.

34. NON–CONTROLLING INTERESTS

Details of non-wholly owned subsidiaries that have material non-controlling interests:

Name of subsidiary	Proportion of equity interest held by non-controlling equity owners			Profit (loss) allocated to non-controlling interests			Accumulated non-controlling interests		
	At 31 December			Period from 7 January 2011 (date of incorporation) to 31 December	Year ended 31 December		At 31 December		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Xingxing Energy	33.4%	33.4%	31.0%	—	20,535	25,113	41,532	62,067	82,693
Huixin Energy	33.4%	33.4%	31.0%	—	(5,560)	9,294	(3,472)	(9,032)	915
Huaheng Energy	N/A	52.0%	50.3%	—	—	7,242	—	24,878	29,300
Heze Lvjie	N/A	50.8%	49.0%	—	366	683	—	15,601	15,736
Individually immaterial subsidiaries with non-controlling interests	N/A	N/A	N/A	—	808	(625)	(6,441)	(1,692)	(2,971)
				—	16,149	41,707	31,619	91,822	125,673

Summarised financial information represents amounts before intragroup eliminations in respect of each of the UHL Group's subsidiaries that have material non-controlling interests are set out below.

Xingxing Energy:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	236,390	283,229	329,227
Non-current assets	382,651	354,785	340,902
Current liabilities	(488,353)	(443,785)	(390,021)
Non-current liabilities	(6,400)	(8,487)	(13,357)
Equity attributable to owners of UHL	82,756	123,675	184,058
Non-controlling interests	41,532	62,067	82,693

	Period from 7 January 2011 (date of incorporation) to 31 December	Years ended 31 December	
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	—	530,980	717,013
Finance costs	—	(44,500)	(38,903)
Other expense and other income	—	(425,026)	(597,101)
Profit and total comprehensive income for the year/ period	—	61,454	81,009
Profit attributable to:			
Owners of UHL	—	40,919	55,896
Non-controlling interests	—	20,535	25,113
Net cash from operating activities	—	86,144	92,943
Net cash (used in) from investing activities	—	(32,906)	49,714
Net cash (used in) financing activities	—	(19,395)	(156,027)
Net cash inflow (outflow)	—	33,843	(13,370)

Huixin Energy:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	286,789	275,080	333,292
Non-current assets	496,193	464,702	440,697
Current liabilities	(734,537)	(763,907)	(764,096)
Non-current liabilities	(58,835)	(2,903)	(6,940)
Equity attributable to owners of UHL	(6,918)	(17,996)	2,038
Non-controlling interests	(3,472)	(9,032)	915

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	**Years ended 31 December**	
		2012	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	—	418,744	583,779
Finance costs	—	(68,114)	(63,602)
Other expense and other income	—	(367,268)	(490,196)
(Loss) profit and total comprehensive income for the year/period	—	(16,638)	29,981
(Loss) profit attributable to:			
Owners of UHL	—	(11,078)	20,687
Non-controlling interests	—	(5,560)	9,294
Net cash from (used in) operating activities	—	122,177	(170,320)
Net cash from investing activities	—	7,400	73,878
Net cash (used in) from financing activities	—	(120,501)	103,548
Net cash inflow	—	9,076	7,106

Huaheng Energy:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	—	39,079	110,586
Non-current assets	—	52,503	96,880
Current liabilities	—	(18,739)	(112,228)
Non-current liabilities	—	(25,000)	(37,000)
Equity attributable to owners of UHL	—	22,965	28,938
Non-controlling interests	—	24,878	29,300

	Period from 7 January 2011 (date of incorporation) to 31 December	Years ended 31 December	
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	—	—	146,223
Finance costs	—	—	—
Other expense and other income	—	—	(131,828)
Profit and total comprehensive income for the period	—	—	14,395
Dividend	—	—	4,000
Profit attributable to:			
Owners of UHL	—	—	7,153
Non-controlling interests	—	—	7,242
Net cash from operating activities	—	—	25,571
Net cash used in investing activities	—	—	(90,920)
Net cash from financing activities	—	—	60,000
Net cash outflow	—	—	(5,349)

Note: The amounts represent the financial information of Huaheng Energy being consolidated as a subsidiary of Yuanheng Gas Group since 28 December 2012 as set out in note 33.

Heze Lvjie:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	—	14,666	11,949
Non-current assets	—	24,831	23,951
Current liabilities	—	(8,777)	(3,786)
Non-current liabilities	—	—	—
Equity attributable to owners of UHL	—	15,119	16,378
Non-controlling interests	—	15,601	15,736

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	**Years ended 31 December 2012**	**2013**
	RMB'000	*RMB'000* *(note)*	*RMB'000*
Revenue	—	43,396	78,678
Finance costs	—	—	—
Other expense and other income	—	(42,676)	(77,284)
for the year/period	—	720	1,394
Profit attributable to:			
Owners of UHL	—	354	711
Non-controlling interests	—	366	683
Net cash (used in) from operating activities	—	(22,551)	1,944
Net cash used in investing activities	—	(143)	(440)
Net cash from financing activities	—	10,400	4,300
Net cash (outflow) inflow	—	(12,294)	5,804

Note: The amounts represent the financial information of Heze Lvjie being consolidated as a subsidiary of Yuanheng Gas Group since July 2012 as set out in note 33.

35. RETIREMENT BENEFITS SCHEMES

The employees of UHL's subsidiaries established in the PRC are members of state managed retirement benefit schemes operated by the PRC government. UHL's PRC subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specific contributions.

The UHL Group made contributions to the retirement benefits schemes of nil, RMB4,606,000, and RMB5,905,000 for the period from 7 January (date of incorporation) to 31 December 2011, year ended 31 December 2012, and year ended 31 December 2013, respectively.

36. PLEDGE OF ASSETS

The following assets were pledged at end of each reporting period as collaterals for certain banking facilities granted to the UHL Group:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	710,337	676,122	724,435
Land use right *(note)*	25,873	24,983	24,039
Pledged bank deposits	310,146	306,617	217,800
Bills receivables	30,000	79,205	40,000
Guarantee deposit (included in other receivables)	14,230	—	—
Property, plant and equipment held under finance leases	38,196	30,192	13,328
	1,128,782	1,117,119	1,019,602

Note: As at 31 December 2011, a land use right of RMB10,678,000 was pledged to a guarantor who provide financial guarantee to the UHL Group.

As at the end of each reporting period, certain subsidiaries' equity investments were pledged to banks to secure loan facilities granted to the UHL Group.

Floating charge over all asset and rights of Ying Luen

In December 2011, Ying Hui entered into loan agreements with Champion Ever and an another lender with an aggregate amount of HK$240,000,000 for the purpose of provision of capital to UHL for the capital contribution to Yuanheng Gas via Ying Luen. In December 2012, an additional loan of RMB151,200,000 was obtained from Champion Ever by Ying Hui and was provided as additional capital to UHL for its contribution to Yuanheng Gas via Ying Luen. Ying Luen has executed a deed of floating charge over all the asset and rights of Ying Luen (including the equity investment in Yuanheng Gas) in favour of Champion Ever and the another lender to secure Yui Hui's repayment obligation in respect of the abovementioned loans. On 11 January 2013, agreements were entered into between the shareholders of Ying Hui, Ying Hui, Champion Ever and the another lender where Champion Ever became the holding company of Ying Hui and the floating charge was released accordingly.

37. LEASE ARRANGEMENTS

As lessee

As at the end of each reporting period, the UHL Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	—	101	777
In the second to fifth year inclusive	—	—	1,794
Over five years	—	—	500
	—	101	3,071

Operating lease payments represent rentals payable by the UHL Group for certain of its office premises. Leases are negotiated for terms ranging from one to ten years in fixed rentals.

38. COMMITMENTS

Commitments

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Financial Information	1,867	1,281	1,038
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	—	—	—

39. CONTINGENT LIABILITIES

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Contingent liabilities			
Financial guarantee given to banks in respect of a facility granted to a related party			
— Circle Energy	—	300,000	—

40. RELATED PARTIES TRANSACTIONS

Save as disclosed in respective notes above, the UHL Group had the following transactions with related parties:

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	Year ended 31 December	
		2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Sales of LNG to related parties			
— Circle Energy	—	298,743	87,125
— Humen Power	—	85,681	—
— JS Runfu	—	—	12,590
Sales of LNG to an associate			
— Jiu An Shi Shun Logistics	—	—	6,695
Purchase of LNG from related parties			
— Circle Energy	—	61,628	24,714
— JS Runfu	—	22,962	—
Selling expense to a related company *(note)*			
— Circle Energy	—	19,744	2,059
Selling expense to an associate			
— Jiu An Shi Shun Logistics	—	—	676

Note: During the year ended 31 December 2012 and 2013, the UHL Group incurred a selling expenses paid to Circle Energy in respect of sales to customers introduced by Circle Energy in the form of repurchase of LNG sold to Circle Energy at a markup from the original selling price. For the presentation in the consolidated statements of profits or loss and other comprehensive income, the sales and purchases has been offset with the difference included in the distribution and selling expenses. The following is the analysis of the sales of LNG to and repurchase of LNG from Circle Energy.

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	RMB'000	*RMB'000*	*RMB'000*
Sales of LNG	—	119,259	10,277
Repurchase of LNG	—	(139,003)	(12,336)
Net selling expenses	—	(19,744)	(2,059)

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	Year ended 31 December 2012	Year ended 31 December 2013
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses to related parties			
Circle Energy	—	10,790	4,318
Haoying Nantong	—	524	—
	—	11,314	4,318

	As at 31 December 2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Guarantee given by related parties in respect of bank borrowings and banking facilities granted to the UHL Group			
— Circle Energy	30,000	—	—
— Mr. Wang	—	—	700,000
	30,000	—	700,000
Guarantee given to bank in respect of a facilities granted to a related party			
— Circle Energy	—	300,000	—

Balances with related parties are stated in the consolidated statements of financial position and the related notes.

The remuneration paid and payable to the key management of the UHL Group, which include the directors of UHL for the Relevant Periods is as follows:

	Period from 7 January 2011 (date of incorporation) to 31 December 2011	Years ended 31 December 2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries and allowances	—	3,150	3,116
Retirement benefits contributions	—	318	284
	—	3,468	3,400

41. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2012, purchases of property, plant and equipment amounting to RMB2,055,000 have been under finance lease arrangement.

At 31 December 2011 and 2012, bills receivables of RMB30,000,000 and RMB79,205,000 respectively, had been discounted with recourse to banks. During the year ended 31 December 2012 and 2013, the banks directly received the contractually entitled cash flows of RMB247,627,000 and RMB173,054,000 respectively upon maturity of the discounted bills receivable from the UHL Group's debtors as settlement of the related bank borrowings of the UHL Group.

42. CAPITAL RISK MANAGEMENT

The UHL Group manages its capital to ensure that entities in the UHL Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The UHL Group's overall strategy remains unchanged over the Relevant Periods.

The capital structure of the UHL Group consists of debt, which includes the bank and other borrowings, disclosed in note 30, and equity attributable to owners of UHL, comprising capital and reserves.

The management of the UHL Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, capital injection and new share issues as well as the issue of new debt or the redemption of existing debt.

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	612,802	807,961	861,165
Financial assets designated as at fair value through profit or loss	—	—	46,000
Financial liabilities			
Amortised cost	1,420,973	1,253,265	1,126,900

(b) Financial risk management objectives and policies

The UHL Group's major financial instruments are trade and other receivables, amount due from (to) an associate, amount due from a former equity owner of subsidiaries. amounts due from (to) related parties, short-term investment, pledged bank deposits, cash and cash equivalent, trade and other payable, amounts due from (to) non-controlling equity owners in subsidiaries, bank and other borrowings. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the UHL Group through internal risk assessment which analyses exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are sets out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Save as the short-term investments disclosed in note 25, which is invested for the purpose of better utilisation of temporary idle cash, the UHL Group does not enter into any trade financial instruments, including derivative financial instruments, for hedging or speculative purpose. There has been no significant change to the UHL Group's exposure to these kinds of risks or the manner in which it manages and measures.

(i) Market risk management

The UHL Group's activities expose primarily to the market risks of changes in interest rates. There has been no significant change to the UHL Group's exposure to market risks or the manner in which it manages and measures the risk over the Relevant Periods.

Interest rate risk management

The UHL Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balance and bank borrowings which carry at prevailing deposit interest rates and variable rate based on the interest rates quoted by the People's Bank of China.

The UHL Group's fair value interest rate risk relates primarily to its fixed rate pledged bank deposits and fixed rate bank and other borrowings. The UHL Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The UHL Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

Sensitivity analysis on bank balances is not presented as the management considers that the UHL Group's exposure to interest rate fluctuation is insignificant.

The sensitivity analyses below have been prepared based on the exposure to interest rates for variable-rate bank borrowings at the end of each reporting period which was assumed to be outstanding for the whole year/period and the stipulated change taking place at the beginning of the financial year/period and held constant throughout the year/period in the case of instruments that have floating rates. A 50 basis points increase or decrease for variable rate bank borrowings is used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in interest rate.

If interest rates had been increased/decreased by 50 basis points in respect of bank borrowings and all other variables were held constant, the UHL Group's profit would decrease/increase by approximately nil and RMB451,000 and RMB506,000, for the period from 7 January 2011 (date of incorporation) to 31 December 2011, the years ended 31 December 2012 and 2013 respectively.

Foreign currency risk management

The UHL Group's transactions were mainly conducted in Renminbi, the functional currency of the UHL Group, and its major receivables and payables, and majority of borrowings are denominated in Renminbi. Hence, the UHL Group currently does not have a foreign currency hedging policy as the exposure to foreign currency risk is minimal.

(ii) Credit risk management

The UHL Group's maximum exposure to credit risk which will cause a financial loss to the UHL Group due to failure to perform an obligation by the counterparties and financial guarantees issued by the UHL Group arises from (a) the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position; and (b) the amount of contingent liabilities disclosed in note 39.

The management closely monitors its credit exposure by implementation of policies for necessary follow-up actions to minimise its credit risk throughout the year/period. In addition, the UHL Group reviews the recoverable amounts of amounts due from each counterparty at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on contingent liabilities in relation to financial guarantee disclosed in note 39 is limited because the counterparty is a related company that is financially sound. In addition, the UHL Group regularly reviews the financial position of the counterparty to ensure that the chance of default by the counterparty is low.

The credit risk on liquid funds is limited because the counterparties are banks in the PRC with high credit rankings.

The credit risk on bills receivable are insignificant because all bills receivable are bank acceptance bills issued by state-owned banks and aged within 180 days at the end of each reporting period.

The management considers that there is no significant concentration of credit risk on trade receivables, with exposure spread over a large number of counterparties and customers. However, the UHL Group is exposed to significant concentration of credit risk with amounts due from non-controlling equity owners of subsidiaries/amount due from a former equity owner of subsidiaries/amounts due from related parties. The credit risk on amounts due from non-controlling equity owners of subsidiaries/amount due from a former equity owner of subsidiaries/amounts due from related parties are insignificant after considering the financial strength of these related entities and individuals.

(iii) Liquidity risk management

The UHL Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The management closely monitors the liquidity position of each company within the UHL Group and expects to have adequate sources of funding to finance the UHL Group's operations.

In preparing the Financial Information, the directors of UHL have given careful considerations to the future liquidity of the UHL Group in light of the fact that as at 31 December 2011, 2012 and 2013, its current liabilities exceeded its current assets by approximately RMB898,385,000, RMB602,803,000 and RMB406,934,000 respectively. Taking into account of (i) the internally generated funds, and (ii) available long term loan facilities of RMB500,000,000 with maturity up to May 2015, and (iii) RMB200,000,000 of the RMB500,000,000 facilities, which was utilised as at 31 December 2013 and included under bank and other borrowings due within one year, can be extended to May 2015 pursuant to the relevant facilities, the directors of UHL are confident that the UHL Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis.

The following tables detail the UHL Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the UHL Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or within 60 days	61–180 days	181–365 days	1–2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011									
Non-derivative financial liabilities									
Trade and other payables	—	171,801	75,000	—	—	—	—	246,801	246,801
Amounts due to non-controlling equity owners of subsidiaries	0.00–6.44	133,725	—	—	—	—	—	133,725	133,725
Amounts due to related parties	0.00–16.00	351,698	—	—	—	—	—	351,698	351,698
Obligations under finance leases	5.76–7.56	2,095	4,190	6,285	8,382	14,386	—	35,338	27,845
Bank and other borrowings									
— fixed rate	6.88–16.00	167,417	284,561	51,452	—	—	—	503,430	499,904
— variable rate	6.56–8.53	2,098	4,195	109,269	60,608	—	—	176,170	161,000
		828,834	367,946	167,006	68,990	14,386	—	1,447,162	1,420,973

	Weighted average interest rate %	On demand or within 60 days RMB'000	61–180 days RMB'000	181–365 days RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2012									
Non-derivative financial liabilities									
Trade and other payables	—	174,130	15,000	—	—	—	—	189,130	189,130
Amount due to non-controlling equity owner of a subsidiary	6.44	29,013	—	—	—	—	—	29,013	29,013
Amounts due to related parties	0.00–16.00	348,753	—	—	—	—	—	348,753	348,753
Obligations under finance leases	5.76–7.56	1,487	2,973	4,460	6,749	9,254	—	24,923	20,035
Bank and other borrowings									
— fixed rate	6.50–16.00	105,972	270,477	194,180	—	—	—	570,629	560,334
— variable rate	6.15–8.32	1,219	2,438	83,603	26,264	—	—	113,524	106,000
Financial guarantee contract		300,000	—	—	—	—	—	300,000	—
		960,574	290,888	282,243	33,013	9,254	—	1,575,972	1,253,265

	Weighted average interest rate %	On demand or within 60 days RMB'000	61–180 days RMB'000	181–365 days RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2013									
Non-derivative financial liabilities									
Trade and other payables		328,860	40,000	—	—	—	—	368,860	368,860
Amount due to non-controlling equity owner of a subsidiary	6.44	35,866	—	—	—	—	—	35,866	35,866
Amount due to an associate	—	228	—	—	—	—	—	228	228
Amount due to a related party	0.00–16.00	4,700	—	—	—	—	—	4,700	4,700
Obligations under finance leases	5.96–6.90	1,125	2,250	3,374	6,749	2,504	—	16,002	13,588
Bank and other borrowings									
— fixed rate	6.12–7.84	39,850	212,101	345,033	—	—	—	596,984	574,889
— variable rate	6.15–8.10	10,768	4,201	59,870	31,354	23,000	17,033	146,226	128,769
		421,397	258,552	408,277	38,103	25,504	17,033	1,168,866	1,126,900

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

The amounts included above for financial guarantee contracts are the maximum amounts the UHL Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the UHL Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(c) Fair value of financial instruments

The short-term investments (see note 25) are measured at fair value at the end of each reporting period. The fair value of short-term investments were RMB46,000,000 as at 31 December 2013 which are determined with reference to discounted cash flow model, which is based on the expected return of the structured deposits.

The directors of UHL consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

Fair value measurements recognised in the statements of financial position

Financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The short-term investments (see note 25) which is classified as financial asset designated as at FVTPL is grouped into Level 2.

B. EVENT AFTER THE RELEVANT PERIODS

Save as discussed in this report, no other event after the Relevant Periods occurred up to the date of this report.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the UHL Group, UHL or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2013.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deloitte.
德勤

15 April 2014

The Board of Directors
Ngai Lik Industrial Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to 廣州元亨燃氣有限公司 (for identification purpose, in English, Guangzhou Yuanheng Gas Co., Ltd, referred to as "Yuanheng Gas") and its subsidiaries (hereinafter collectively referred to as the "Yuanheng Gas Group") for each of the years ended 31 December 2011, 2012 and 2013 (the "Relevant Periods") for inclusion in the circular issued by Ngai Lik Industrial Holdings Limited (the "Company") dated 15 April 2014 (the "Circular") in connection with the proposed acquisition of the entire issued capital of Union Honor Limited, which indirectly owns 100% equity interest of Yuanheng Gas (the "Acquisition") at date of this report.

Yuanheng Gas was established in the People's Republic of China (the "PRC") on 6 July 2007 as a company with limited liability under the Companies Law of the PRC. In October 2011, Yuanheng Gas was approved by Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality ("BOFTEC") to be changed from a PRC limited liability company to a sino-foreign equity joint venture enterprise. In December 2012, Yuanheng Gas was approved by BOFTEC to be changed from a sino-foreign equity joint venture enterprise to a wholly owned foreign enterprise. Details are set out in note 1 to Section A of the Financial Information.

Yuanheng Gas has the following subsidiaries during the Relevant Periods and their particulars are as follows:

Name of subsidiary	Place and date of establishment	Paid-in capital/ registered capital	Equity interest attributable to Yuanheng Gas At 31 December 2011	2012	2013	At date of this report	Principal activities
鄂爾多斯市星星能源有限公司* ("Xingxing Energy")	PRC 2 November 2004	RMB120,000,000	69.0%	69.0%	69.0%	69.0%	Production and sale of liquefied natural gas
達州市匯鑫能源有限公司* ("Huixin Energy")	PRC 11 October 2005	RMB70,000,000	69.0%	69.0%	69.0%	69.0%	Production and sale of liquefied natural gas
貴州華亨能源投資有限公司* ("Huaheng Energy")	PRC 24 June 2011	RMB40,000,000	49.7% *(note)*	49.7% *(note)*	49.7%	49.7%	Sale of piped gas
菏澤綠潔燃氣有限責任公司* ("Heze Lvjie")	PRC 3 June 2011	RMB30,000, 000	—	51.0%	51.0%	51.0%	Vehicle gas refuelling stations and sale of liquefied natural gas
達州市匯鑫物流有限公司 ("Huixin Logistic")	PRC 30 April 2008	RMB10,000,000	69.0%	69.0%	69.0%	69.0%	Provision of logistics service
貴州華元投資有限公司* ("Huayuan Investment")	PRC 18 June 2013	RMB22,800,000	N/A	N/A	100%	100.0%	Investment holding

* *Directly held by Yuanheng Gas*

Note: Huaheng Energy was a joint venture of the Yuanheng Gas Group before 28 December 2012, details of which are set out in note 18 to Section A of the Financial Information. The Yuanheng Gas Group has obtained control over Huaheng Energy and accounted for Hauheng Energy as a subsidiary of Yuanheng Gas Group since 28 December 2012, details of which are set out in note 34 to Section A of the Financial Information.

All of the above subsidiaries are limited liability companies established in the PRC.

Yuanheng Gas and its subsidiaries adopt 31 December as their financial year end date.

The statutory financial statements of Yuanheng Gas and its subsidiaries which have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC were audited by the following certified public accountants registered in the PRC:

Name of company	Financial year	Name of auditors
Yuanheng Gas	Each of the two years ended 31 December 2012	廣東粵信會計師事務所有限公司 Guangdong Yuexin Certified Public Accountants Co., Ltd. ("Guangdong Yuexin")
Xingxing Energy	Each of the two years ended 31 December 2012	Guangdong Yuexin
Huixin Energy	Each of the two years ended 31 December 2012	Guangdong Yuexin
Huaheng Energy	Period from 24 June 2011 (date of establishment) to 31 December 2011 and year ended 31 December 2012	貴州黔元會計師事務所有限公司 (Guizhou Qianyuan Certified Accountants Co., Ltd.)
Heze Lvjie	Period from 3 June 2011 (date of establishment) to 31 December 2011	山東富信會計師事務所有限公司 (Shandong Fuxin Certified Public Accountants Co., Ltd.)
	Year ended 31 December 2012	山東牡丹會計師事務所有限公司 (Shandong Mudan Certified Public Accountants Co., Ltd.)

Name of company	Financial year	Name of auditors
Huixin Logistic	Each of the two years ended 31 December 2012	四川神州會計師事務所有限責任公司達州分所 (Sichuan Shenzhou Certified Public Accountants Co., Ltd., Dazhou Branch)

No statutory audited financial statements of all companies for year ended 31 December 2013 have been prepared as they have not become due for issuance. No statutory audited financial statements of Huayuan Investment have been prepared as Huayuan Investment was newly established on 18 June 2013 and its first set of statutory financial statements has not become due for issuance.

For the purpose of this report, the directors of Yuanheng Gas have prepared consolidated financial statements of the Yuanheng Gas Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have carried out an independent audit on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA and have examined the Underlying Financial Statements for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to adjust the Underlying Financial Statements for the Relevant Periods for the preparation of the Financial Information.

The Underlying Financial Statements are the responsibility of the directors of Yuanheng Gas who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Yuanheng Gas Group as at 31 December 2011, 31 December 2012 and 31 December 2013, and of the Yuanheng Gas Group's results and cash flows for each of the years ended 31 December 2011, 2012 and 2013.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Years ended 31 December		
		2011	2012	2013
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	6	1,025,396	1,143,346	1,832,457
Cost of sales		(766,182)	(884,400)	(1,458,215)
Gross profit		259,214	258,946	374,242
Other income	7	10,372	14,097	13,661
Other gains and losses	9	(3,371)	69	76
Distribution and selling expenses		(1,121)	(26,281)	(34,843)
Administrative expenses		(49,877)	(52,521)	(65,754)
Share of results of joint ventures		(212)	(47)	—
Gain on discontinuance of equity accounting for joint ventures	34	—	7,649	—
Finance costs	8	(100,975)	(74,130)	(47,609)
Profit before taxation	9	114,030	127,782	239,773
Income tax expense	10	(45,923)	(49,700)	(59,930)
Profit and total comprehensive income for the year		68,107	78,082	179,843
Attributable to:				
Owners of Yuanheng Gas		51,804	64,179	138,136
Non-controlling interests		16,303	13,903	41,707
		68,107	78,082	179,843

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2011	**2012**	**2013**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	13	872,179	888,223	890,127
Prepaid lease payments	14	25,841	43,369	42,450
Goodwill	15	188,030	191,499	191,499
Intangible asset	16	—	9,837	9,443
Interests in associates	17	—	—	30,000
Interest in a joint venture	18	14,788	—	—
Amount due from a non-controlling equity owner of subsidiaries	22	30,521	33,138	34,654
Amount due from a former equity owner of subsidiaries	22	65,700	70,838	74,484
Deferred tax assets	19	12,720	3,360	320
Deposits for property, plant and equipment under finance leases		4,969	4,969	4,969
		1,214,748	1,245,233	1,277,946
CURRENT ASSETS				
Inventories	20	24,277	29,503	26,030
Trade and other receivables	21	132,340	162,182	389,235
Prepaid lease payments	14	936	1,395	1,395
Amount due from an associate	23	—	20	—
Amounts due from related parties	24	29,550	29,550	84,445
Short-term investments	25	—	—	46,000
Pledged bank deposits	26	310,146	306,617	217,800
Cash and cash equivalents	26	58,267	207,973	76,936
		555,516	737,240	841,841

		As at 31 December		
		2011	2012	2013
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT LIABILITIES				
Trade and other payables	27	284,750	247,478	458,935
Amount due to a non-controlling equity owner of a subsidiary	28	—	—	35,866
Amount due to an associate	23	—	—	228
Amounts due to related parties	29	382,711	353,984	9,431
Amounts due to equity owners	30	133,725	29,013	17,815
Tax payables		38,177	60,348	93,405
Bank and other borrowings due within one year	31	604,904	641,334	641,658
Obligations under finance leases	32	9,525	6,446	5,234
		1,453,792	1,338,603	1,262,572
NET CURRENT LIABILITIES		(898,276)	(601,363)	(420,731)
TOTAL ASSETS LESS CURRENT LIABILITIES		316,472	643,870	857,215
CAPITAL AND RESERVES				
Paid-in capital	33	114,642	351,597	351,597
Reserves		85,112	155,326	293,462
Equity attributable to owners of Yuanheng Gas		199,754	506,923	645,059
Non-controlling interests		33,641	86,166	125,873
TOTAL EQUITY		233,395	593,089	770,932
NON-CURRENT LIABILITIES				
Deferred tax liabilities	19	8,757	12,192	15,929
Bank and other borrowings due after one year	31	56,000	25,000	62,000
Obligations under finance leases	32	18,320	13,589	8,354
		83,077	50,781	86,283
		316,472	643,870	857,215

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Yuanheng Gas							
	Paid-in capital	**Capital reserve**	**Statutory surplus reserve**	**Designated safety fund**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000* *(note a)*	*RMB'000* *(note b)*	*RMB'000* *(note c)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	1,000	—	—	4,291	29,017	34,308	17,338	51,646
Profit for the year and total comprehensive income for the year	—	—	—	—	51,804	51,804	16,303	68,107
Capital injection	113,642	—	—	—	—	113,642	—	113,642
Transfer to statutory surplus reserve	—	—	5,397	—	(5,397)	—	—	—
Transfer to designated safety fund	—	—	—	5,760	(5,760)	—	—	—
At 31 December 2011	114,642	—	5,397	10,051	69,664	199,754	33,641	233,395
Profit for the year and total comprehensive income for the year	—	—		—	64,179	64,179	13,903	78,082
Capital injection	236,955	6,035	—	—	—	242,990	—	242,990
Capital injections by a non-controlling equity owner of a subsidiary							9,400	9,400
Acquisition of a subsidiary *(note 34)*	—	—	—	—	—	—	29,222	29,222
Transfer to statutory surplus reserve	—	—	2,788	—	(2,788)	—	—	—
Transfer to designated safety fund	—	—	—	5,277	(5,277)	—	—	—
At 31 December 2012	351,597	6,035	8,185	15,328	125,778	506,923	86,166	593,089
Profit for the period and total comprehensive income for the year	—	—	—	—	138,136	138,136	41,707	179,843
Dividend	—	—	—	—	—	—	(2,000)	(2,000)
Transfer to statutory surplus reserve	—	—	12,255	—	(12,255)	—	—	—
Transfer to designated safety fund	—	—	—	3,538	(3,538)	—	—	—
At 31 December 2013	351,597	6,035	20,440	18,866	248,121	645,059	125,873	770,932

Notes:

a. Capital reserve arises from capital injection from Ying Luen International Investment Limited, the holding company of Yuanheng Gas. This amount is regarded as contribution from the equity participant.

b. In accordance with the relevant laws and regulations of the Peoples' Republic of China (the "PRC") and the Articles of Association of Yuanheng Gas and its subsidiaries, 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 year represents the difference between the amounts provided based on the relevant PRC regulation and the amount utilised during the year.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
Profit before taxation	114,030	127,782	239,773
Adjustments for:			
Depreciation of property, plant and equipment	52,641	55,504	60,000
Amortisation of intangible asset	—	—	394
Amortisation of prepaid lease payments	935	1,001	1,470
Finance costs	100,975	74,130	47,609
Interest income	(9,804)	(13,712)	(9,690)
Loss (gain) on disposal of property, plant and equipment	57	(69)	(76)
Share of results of jointly ventures	212	47	—
Impairment loss recognised on receivables	3,314	—	—
Gain on discontinuance of equity accounting for joint ventures	—	(7,649)	—
Operating cash flows before movements in working capital	262,360	237,034	339,480
(Increase) decrease in inventories	(10,577)	1,556	3,473
Increase in trade and other receivables	(28,950)	(263,636)	(390,107)
(Decrease) increase in trade and other payables	(110,035)	(84,007)	211,797
Increase in amount due to a non-controlling equity owner of a subsidiary	—	—	35,866
Decrease (increase) in amount due from an associate	1,649	(20)	20
Increase in amount due to an associate	—	—	228
Increase in amounts due from related parties	—	—	(84,445)
(Decrease) increase in amounts due to related parties	(33,278)	135,864	(287,796)
Cash generated from (used in) operations	81,169	26,791	(171,484)
Income tax paid	(17,874)	(16,278)	(20,096)
Net cash from (used in) operating activities	63,295	10,513	(191,580)

		For the years ended 31 December		
		2011	**2012**	**2013**
	NOTE	*RMB'000*	*RMB'000*	*RMB'000*
Investing activities				
Capital contribution to a joint venture		(15,000)	(5,000)	—
Capital contribution to an associate		—	—	(30,000)
Net cash inflow on obtaining control of a non-wholly owned subsidiary	34	—	10,023	—
Withdrawal of pledged bank deposits		321,875	615,377	359,025
Placement of pledged bank deposits		(560,021)	(611,848)	(270,208)
Advance to a non-controlling equity owner of subsidiaries		(100)	—	—
Repayment from a non-controlling equity owner of subsidiaries		—	—	—
Advance to a former equity owner of subsidiaries		—	(12,000)	(10,000)
Repayment from a former equity owner of subsidiaries		—	700	—
Advance to a related party		(29,550)	—	—
Repayment from a related party		—	—	29,550
Repayment from a third party		—	6,000	—
Purchase of property, plant and equipment		(36,963)	(11,126)	(59,653)
Purchase of land use right		—	—	(551)
Purchase of short term investments		—	—	(229,000)
Proceeds from redemption of short term investments		—	—	183,000
Proceeds on disposal of property, plant and equipment		19	431	447
Placement of deposit for property, plant and equipment under finance leases		(1,584)	—	—
Interest received		1,365	5,257	4,528
Net cash used in investing activities		(319,959)	(2,186)	(22,862)

	For the years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Financing activities			
Proceeds from capital injections	113,642	242,990	—
Capital injections from a non-controlling equity owner of a subsidiary	—	9,400	—
Dividends paid to a non-controlling equity owner of a subsidiary	—	—	(2,000)
New bank and other borrowings raised	1,044,804	1,224,914	833,539
Repayments of bank and other borrowings	(786,300)	(996,857)	(623,161)
Repayments to an equity owner	—	(106,000)	(29,013)
Advance from an equity owner	—	—	17,815
Advances from related parties	261,973	—	—
Repayments to related parties	(195,733)	(169,833)	(56,757)
Repayment to a former equity owner of subsidiaries	(30,000)	—	—
Repayments of obligations under finance leases	(7,683)	(9,865)	(6,447)
Refund of deposit from guarantor	6,480	14,230	—
Interest paid	(98,052)	(67,600)	(50,571)
Net cash from (used in) financing activities	309,131	141,379	83,405
Net increase (decrease) in cash and cash equivalents	52,467	149,706	(131,037)
Cash and cash equivalents at the beginning of the year	5,800	58,267	207,973
Cash and cash equivalents at the end of the year	58,267	207,973	76,936

1. GENERAL INFORMATION

Yuanheng Gas, which acts as an investment holding company and engage in sales of liquefied natural gas ("LNG"), was established in the PRC on 6 July 2007, as a limited liability company under the Companies Law of the People's Republic of China with registered capital of RMB1,000,000 contributed by two equity holders. On 24 February 2009, 南通中燁石化有限公司 ("Nantong Zhong Ye") acquired 90% equity interest of Yuanheng Gas from one of the equity holders and became the then ultimate holding company of Yuanheng Gas. The address of the registered office of Yuanheng Gas is 廣東省廣州市越秀區東風東路850號1508房 (Room 1508, Glorious Tower, 850 Dongfeng Road East, Guangzhou. China).

On 29 September 2011, Ying Luen International Investment Limited ("Ying Luen"), one of the equity holders of Yuanheng Gas which is a limited liability company incorporated in Hong Kong, Nantong Zhong Ye and the remaining equity owner of Yuanheng Gas entered into a capital expansion and injection agreement. Pursuant to this agreement, Ying Luen has agreed to contribute capital of RMB200,000,000, where Nantong Zhong Ye and another equity owner have agreed to contribute registered capital of RMB5,431,500 and RMB603,500, respectively. Upon the completion of the capital injections to Yuanheng Gas, the 96.5%, 3.15% and 0.35% of equity interest in Yuanheng Gas would be held by Ying Luen, Nantong Zhong Ye and another equity holder, respectively.

In October 2011, Yuanheng Gas obtained approval from Bureau of Foreign Trade and Economic Cooperation of Guangzhou Municipality ("BOFTEC") for its change from a PRC limited liability company to a sino-foreign equity joint venture enterprise with the registered capital increased from RMB1,000,000 to RMB201,000,000. The relevant registration completed in December 2011. Ying Luen made cash capital injections of an aggregated amount of RMB200,000,000 by instalment from December 2011 to February 2012 which (i) increased the amount of the paid-in capital of Yuanheng Gas by RMB113,642,000 during the year ended 31 December 2011; and (ii) increased the amount of the paid-in capital and capital reserve of Yuanheng Gas by RMB80,323,000 and RMB6,035,000 respectively during the year ended 31 December 2012. Nantong Zhong Ye made a cash capital injection of RMB5,431,500 which increased the amount of the paid-in capital by RMB5,431,500 in February 2012. Following the completion of registration and injection made by Ying Luen in December 2011, Ying Hui Limited ("Ying Hui"), Union Honor Limited ("Union Honor") and Ying Luen became the ultimate holding company, intermediate holding company and immediate holding company of Yuanheng Gas, respectively.

On 17 September 2012, a resolution has been passed in the equity owners meeting, pursuant to which (i) Nantong Zhong Ye and another equity holder agreed to transfer its 3.15% and 0.35% equity interest of Yuanheng Gas to Ying Luen at a consideration of RMB6,331,500 and RMB100,000, respectively; and (ii) Ying Luen should further contribute registered capital of RMB756,000,000 to Yuanheng Gas within two years after the approval by BOFTEC.

In December 2012, Yuanheng Gas obtained the approval from BOFTEC for its change from a sino-foreign equity joint venture enterprise to a wholly owned foreign enterprise with the registered capital increased from RMB201,000,000 to RMB957,000,000, where Ying Luen made a cash capital injection of RMB 151,200,000 which increased the amount of the paid-in capital by RMB 151,200,000 in December 2012.

On 11 January 2013, the entire equity interest in Ying Hui was acquired by Champion Ever Limited ("Champion Ever"), which became the holding company of Ying Hui and the ultimate holding company of Yuanheng Gas.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of Yuanheng Gas.

2. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

In preparing the Financial Information, the directors of the Yuanheng Gas Group have given careful considerations to the future liquidity of the Yuanheng Gas Group in light of the fact that as at 31 December 2011, 2012 and 2013, its current liabilities exceeded its current assets by approximately RMB898,276,000, RMB601,363,000 and RMB420,731,000 respectively. Taking into account of (i) the internally generated funds, (ii) available long term loan facilities of RMB500,000,000 with maturity up to May 2015, and (iii) RMB200,000,000 of the RMB500,000,000 facilities which was utilised as at 31 December 2013 and included under bank borrowings due within one year and can be extended to May 2015 pursuant to the relevant facilities agreement, the directors of Yuanheng Gas are confident that the Yuanheng Gas Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the Financial Information has been prepared on a going concern basis.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information of the Relevant Periods, the Yuanheng Gas Group has consistently applied Hong Kong Accounting Standards ("HKAS"), Hong Kong Financial Reporting Standards, amendments and interpretations (collectively "HKFRSs") which are effective for the Yuanheng Gas Group's accounting period beginning on 1 January 2013 throughout the Relevant Periods.

At the date of this report, the Yuanheng Gas Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferred Accounts[5]
HK (IFRIC) — Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application — the mandatory effect date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

The directors of Yuanheng Gas anticipate that the application of the new and revised HKFRSs will have no material impact on the Financial Information of the Yuanheng Gas Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Financial Information has been prepared in accordance with the accounting policies set out below which confirm with HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The significant accounting policies adopted are set out as follows:

Basis of consolidation

The Financial Information incorporates the financial statements of Yuanheng Gas and entities controlled by Yuanheng Gas (its subsidiaries). Control is achieved when Yuanheng Gas:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Yuanheng Gas reassesses whether or not it controls an investee if facts and circumstances indicate that there are change to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Yuanheng Gas obtains control over the subsidiary and ceases when the Yuanheng Gas loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Yuanheng Gas gains control until the date when the Yuanheng Gas ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Yuanheng Gas and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Yuanheng Gas and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Yuanheng Gas Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Yuanheng Gas Group are eliminated in full on consolidation.

Business combinations

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Yuanheng Gas Group, liabilities incurred by the Yuanheng Gas Group to the former owners of the acquiree and the equity interests issued by the Yuanheng Gas Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Yuanheng Gas Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another standard.

When a business combination is achieved in stages, the Yuanheng Gas Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statements of profit or loss and other comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates and joint ventures

An associate is an entity over which the Yuanheng Gas Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in the Financial Information using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Yuanheng Gas Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Yuanheng Gas Group's share of losses of an associate or a joint venture exceeds the Yuanheng Gas Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Yuanheng Gas Group's net investment in the associate or joint venture), the Yuanheng Gas Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Yuanheng Gas Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Yuanheng Gas Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Yuanheng Gas Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Yuanheng Gas Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Yuanheng Gas Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. In addition, the Yuanheng Gas Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Yuanheng Gas Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Yuanheng Gas Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Financial Information only to the extent of interests in the associate or joint venture that are not related to the Yuanheng Gas Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes. The Yuanheng Gas Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

— the Yuanheng Gas Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

— Yuanheng Gas Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

— the amount of revenue can be measured reliably;

— it is probable that the economic benefits associated with the transaction will flow to the Yuanheng Gas Group; and

— the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from construction of gas pipeline infrastructure and LNG transportation are recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Yuanheng Gas Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The depreciation method is reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payment

Payment for obtaining land use rights are accounted for as prepaid lease payments and are charge to profit and loss on a straight-line basis over the lease terms as stated in the relevant land use rights certificates granted for usage by the Yuanheng Gas Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Yuanheng Gas Group as lessee

Assets held under finance leases are recognised as assets of the Yuanheng Gas Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Yuanheng Gas Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Intangible assets

Intangible assets that are acquired in a business combination are recognised separately from goodwill and are initially measured at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs that are directly attributable to acquisition or issue of financial assets and financial liabilities measured at fair value through profit or loss are recognised immediately to profit or loss.

Financial assets

The Yuanheng Gas Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

A financial asset designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Yuanheng Gas Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excluded any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item in the consolidated statements of profit or loss and other comprehensive income. The dividend or interest earned on the financial assets is included in the "other income" line item in the consolidated statements of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 44.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from non-controlling equity owners of subsidiaries, amount due from an associate, amounts due from related parties, pledged bank deposits, cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Yuanheng Gas Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified either as financial liabilities or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Yuanheng Gas Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties, amount due to a non-controlling equity owner of a subsidiary, amounts due to related parties, amounts due to equity owners, bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Yuanheng Gas are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Yuanheng Gas Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Yuanheng Gas Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

The Yuanheng Gas Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Yuanheng Gas Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Yuanheng Gas Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Yuanheng Gas Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Yuanheng Gas Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from the profit before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Yuanheng Gas Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Yuanheng Gas Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Yuanheng Gas Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initiate accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement benefit costs

Payments to state-managed retirement benefit schemes in the PRC which are defined contribution plans are recognised in profit or loss when employees have rendered service entitling them to the contributions.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Yuanheng Gas Group's accounting policies, which are described in note 4, the management of the Yuanheng Gas Group has made various estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on past experience, expectation and other information that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Depreciation of property, plant and equipment

The carrying value of property, plant and equipment at 31 December 2011, 31 December 2012 and 31 December 2013 amounted to RMB872,179,000, RMB888,223,000 and RMB890,127,000, respectively. Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Yuanheng Gas Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges in the year in which the estimates change.

Estimated impairment of goodwill

The carrying value of goodwill at 31 December 2011, 31 December 2012 and 31 December 2013 amounted to RMB188,030,000, RMB191,499,000 and RMB191,499,000, respectively. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Yuanheng Gas Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the calculation of the recoverable amount are set out in note 15.

Deferred tax assets

The carrying value of deferred tax assets at 31 December 2011, 31 December 2012 and 31 December 2013 amounted to RMB12,720,000, RMB3,360,000 and RMB320,000, respectively. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit or taxable temporary difference will be available against which the losses can be utilised. Significant management estimation is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits or taxable temporary difference together with future tax planning strategies.

Estimated impairment of trade and other receivables

The Yuanheng Gas Group makes impairment of trade and other receivables based on an assessment of the recoverability of receivables. Impairment loss are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible or when the net present value of the receivable is less than the carrying amount of the receivable. The identification of impairment loss requires the use of judgment and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and the impairment in the reporting periods in which such estimate has been changed. At 31 December 2011, 31 December 2012 and 31 December 2013, the carrying amount of trade and other receivables after deducting the impairment recognised is amounted to RMB113,642,000, RMB154,730,000 and RMB367,228,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

A) Revenue

Revenue represents revenue arising on sale of goods and provision of services for the year/period. An analysis of the Yuanheng Gas Group's revenue during the Relevant Period is as follows:

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods:			
— Wholesale of LNG	955,274	1,058,194	1,597,794
— Vehicle gas refuelling stations	—	18,890	44,922
— Sales of piped gas	—	—	131,229
Provision of services:			
— LNG transportation	70,122	66,262	52,743
— Construction of gas pipeline infrastructure	—	—	5,769
	1,025,396	1,143,346	1,832,457

B) Segment Information

The Yuanheng Gas Group is organised into business units based on the types of customers and methods used to distribute their products and provide their services, based on which information is prepared and reported to the chief operating decision maker, the board of directors of Yuanheng Gas, for the purposes of resource allocation and assessment of performance. The accounting policies of the reportable segments are the same as the Yuanheng Gas Group's accounting policies. The Yuanheng Gas Group's operating and reportable segments under HKFRS 8 are as follows:

Production and sales of LNG	Wholesale of LNG
Other operations	Vehicle gas refuelling stations, sales of piped gas, LNG transportation and construction of gas pipeline infrastructure

a) Segment revenues and results

The information of the Yuanheng Gas Group's segment revenue and segment results by reportable and operating segment are as follow:

	Production and sales of LNG	**Others operations**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2011			
Segment revenue from external customers	955,274	70,122	1,025,396
Segment results	200,556	4,857	205,413
Interest income			9,804
Share of result of a joint venture			(212)
Finance costs			(100,975)
Profit before taxation			114,030
Income tax expense			(45,923)
Profit for the year			68,107

	Production and sales of LNG	**Others operations**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2012			
Segment revenue from external customers	1,058,194	85,152	1,143,346
Inter-segment revenue	8,207	760	8,967
Segment revenue	1,066,401	85,912	1,152,313
Elimination			(8,967)
Total revenue			1,143,346
Segment results	178,085	2,513	180,598
Interest income			13,712
Share of result of a joint venture			(47)
Gain on discontinuance of equity accounting for joint ventures			7,649
Finance costs			(74,130)
Profit before taxation			127,782
Income tax expense			(49,700)
Profit for the year			78,082

	Production and sales of LNG *RMB'000*	Others operations *RMB'000*	Total *RMB'000*
Year ended 31 December 2013			
Segment revenue from external customers	1,597,794	234,663	1,832,457
Inter-segment revenue	43,407	373	43,780
Segment revenue	1,641,201	235,036	1,876,237
Elimination			(43,780)
Total revenue			1,832,457
Segment results	274,680	3,012	277,692
Interest income			9,690
Finance costs			(47,609)
Profit before taxation			239,773
Income tax expense			(59,930)
Profit for the period			179,843

b) Segment assets and liabilities

Information of the operating segments of the Yuanheng Gas Group reported to the chief operating decision maker 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.

c) Other segment information

The other segment information of the Yuanheng Gas Group is as follow:

	Production and sales of LNG *RMB'000*	Others operations *RMB'000*	Total *RMB'000*
For the year ended 31 December 2011			
Additions to non-current assets	6,853	28,206	35,059
Depreciation of property, plant and equipment	45,770	6,871	52,641
Amortisation of prepaid lease payments	935	—	935
Impairment loss on trade receivables	3,314	—	3,314
Loss on disposal of property, plant and equipment	57	—	57
For the year ended 31 December 2012			
Additions to non-current assets	15,045	85,690	100,735
Depreciation of property, plant and equipment	46,608	8,896	55,504
Amortisation of prepaid lease payments	935	66	1,001
Gain on disposal of property, plant and equipment	69	—	69
For the year ended 31 December 2013			
Additions to non-current assets	13,776	49,050	62,826
Depreciation of property, plant and equipment	47,760	12,240	60,000
Amortisation of intangible assets	—	394	394
Amortisation of prepaid lease payments	935	535	1,470

d) Geographical information

All the Yuanheng Gas Group's revenue is derived from customers located in the PRC and all the Yuanheng Gas Group's identified assets are located in the PRC.

e) Information about major customers

Revenue from customers of the corresponding years over 10% of the total revenue of the Yuanheng Gas Group which are arising from production and sales of LNG segment is as follows:

	Years ended 31 December		
	2011 *RMB'000*	**2012** *RMB'000*	**2013** *RMB'000*
Customer A	251,248	298,743	N/A *(note)*
Customer B	286,685	209,451	202,267
Customer C	213,737	N/A *(note)*	258,918
Customer D	N/A *(note)*	N/A *(note)*	222,775

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Yuanheng Gas Group.

7. OTHER INCOME

	Years ended 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Interest income from			
— banks	1,365	5,257	4,528
— a non-controlling equity owner of subsidiaries	2,611	2,617	1,516
— a former equity owner of subsidiaries	5,828	5,838	3,646
	9,804	13,712	9,690
Others	568	385	3,971
	10,372	14,097	13,661

8. FINANCE COSTS

	Years ended 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank borrowings			
— wholly repayable within five years	45,827	31,800	37,788
— not wholly repayable within five years	—	—	1,494
Interest on other borrowings			
— wholly repayable within five years	28,270	22,423	3,244
Interest on amounts due to related parties	23,284	16,032	4,318
Interest on amount due to an equity owner	1,288	1,288	1,288
Finance leases	2,306	2,587	2,439
Total interest charges	100,975	74,130	50,571
Less: Amount capitalised in construction in progress (note)	—	—	(2,962)
	100,975	74,130	47,609

Note: The borrowing costs have been capitalised at rate of 6.29% for the year ended 31 December 2013.

9. PROFIT BEFORE TAXATION

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation has been arrived at after charging (crediting):			
Auditors' remuneration	330	892	2,369
Amortisation of intangible assets	—	—	394
Amortisation of prepaid lease payments	935	1,001	1,470
Cost of inventories recognised as an expense	706,571	820,994	1,404,639
Depreciation of property, plant and equipment	52,641	55,504	60,000
Directors' emoluments *(note 11)*	278	451	435
Operating lease payment in respect of office premises	—	195	350
Salaries and other benefits	32,331	34,823	39,718
Retirement benefits contributions	3,819	4,606	5,193
Total staff costs (excluding directors' emoluments)	36,150	39,429	44,911
(Loss) gain on disposal of property, plant and equipment	(57)	69	76
Impairment loss recognised on trade and other receivables	(3,314)	—	—
Other gains and losses	(3,371)	69	76

10. INCOME TAX EXPENSE

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
The charge comprises:			
PRC Enterprise Income Tax ("EIT")	42,166	38,381	53,153
Deferred taxation *(note 19)*			
Current year	3,757	7,437	6,777
Attributable to change in tax rate	—	3,882	—
	3,757	11,319	6,777
	45,923	49,700	59,930

PRC Enterprise Income Tax has been provided at the applicable income tax rate of 25% on the assessable profits of the companies comprising the Yuanheng Gas Group during the Relevant Periods, except for Huixin Energy and Huaheng Energy which are subjected to a concessionary rate in certain years.

During the Relevant Periods as set out below, the applicable EIT concessionary rate for 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.

Huixin Energy was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2012 to 2020. Accordingly, Huixin Energy is eligible for the EIT of 25%, 15% and 15% for the year ended 31 December 2011, 2012 and 2013, respectively.

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.

The income tax expense for the Relevant Periods can be reconciled to the profit before taxation per consolidated statements of profit or loss and other comprehensive income as follows:

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	114,030	127,782	239,773
PRC EIT at 25%	28,508	31,946	59,943
Tax effects of expenses not deductible for tax purpose	17,365	15,419	4,024
Tax effects of income not taxable for tax purpose	—	(1,912)	—
Tax effects of tax losses not recognised	50	974	547
Effect of concessionary tax rates granted to certain subsidiaries	—	(609)	(4,584)
Effect on deferred tax balances due to change in income tax rate	—	3,882	—
Tax charge for the year	45,923	49,700	59,930

Tax effect of expenses not deductible in determining taxable profit mainly represents the tax effect of non-deductible entertainment and promotion expenses that exceeding the prescribed amount allowed under the PRC tax legislation and non-deductible interest expenses on borrowings for the Relevant Periods.

11. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors' emoluments

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Directors' fees	134	112	85
Salaries and allowances	129	278	271
Retirement benefits contributions	15	61	49
	278	451	405

	Directors' fees *RMB'000*	Salaries and allowances *RMB'000*	Retirement benefits contributions *RMB'000*	Total *RMB'000*
Year ended 31 December 2011				
Name of director				
Gao Wei (高威)	20	—	—	20
Qian Jian Hua (錢建華)	30	—	—	30
Wang Jian (王建) (resigned on 29 September 2011)	—	—	—	—
You Wei (尤偉)	—	—	—	—
Zeng Jie (曾杰)	48	129	15	192
Zhou Guo Feng (周國鋒) (resigned on 29 September 2011)	30	—	—	30
Zhu Ya Chen (朱亞晨)	6	—	—	6
	134	129	15	278
Year ended 31 December 2012				
Name of director				
Gao Wei (高威)	20	—	—	20
Qian Jian Hua (錢建華) (resigned on 17 September 2012)	30	—	—	30
You Wei (尤偉) (resigned on 17 September 2012)	—	—	—	—
Zeng Jie (曾杰)	50	278	61	389
Zhu Ya Chen (朱亞晨)	12	—	—	12
	112	278	61	451
Year ended 31 December 2013				
Name of director				
Gao Wei (高威)	21	—	—	21
Zeng Jie (曾杰)	51	271	49	371
Zhu Ya Chen (朱亞晨)	13	—	—	13
	85	271	49	405

Employees' emoluments

The five highest paid individuals do not include any director for the years ended 31 December 2011, 2012 and 2013. During the Relevant Periods, the emoluments of the five highest paid individuals, whose emoluments individually is less than HK$1,000,000, except one of these individuals whose emolument fell within the band HK$1,000,001 to HK$1,500,000 (approximately RMB811,700 to RMB1,217,600) during the years ended 31 December 2012 and 2013, are as follows:

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries and other benefits	2,486	2,760	2,760
Retirement benefits contributions	162	257	235
	2,648	3,017	2,995

During the Relevant Periods, no emoluments were paid by the Yuanheng Gas Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Yuanheng Gas Group or as compensation for loss of office. None of the directors waived any of their remuneration during the Relevant Periods.

12. EARNINGS PER SHARE

No earnings per share for the Relevant Periods is presented as its inclusion is considered not meaningful for the purpose of this report.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery *RMB'000*	Buildings *RMB'000*	Pipeline *RMB'000*	Vehicles *RMB'000*	Furniture, fixture and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
COST							
At 1 January 2011	755,232	121,888	—	20,412	2,139	4,849	904,520
Additions	1,598	—	—	27,891	667	3,319	33,475
Disposals	—	—	—	(244)	—	—	(244)
At 31 December 2011	756,830	121,888	—	48,059	2,806	8,168	937,751
Additions	576	434	—	1,716	782	9,601	13,109
Acquisition of a subsidiary *(note 34)*	15,309	5,499	23,145	2,395	404	12,049	58,801
Transfer	3,532	12,057	—	—	—	(15,589)	—
Disposals	—	—	—	(462)	(2)	—	(464)
At 31 December 2012	776,247	139,878	23,145	51,708	3,990	14,229	1,009,197
Additions	6,929	36	—	3,172	4,152	47,986	62,275
Transfer	18,490	7,816	18,265	—	3,578	(48,149)	—
Disposals	—	—	—	(1,161)	—	—	(1,161)
At 31 December 2013	801,666	147,730	41,410	53,719	11,720	14,066	1,070,311
ACCUMULATED DEPRECIATION							
At 31 January 2011	9,879	1,433	—	1,331	456	—	13,099
Provided for the year	39,633	4,959	—	7,513	536	—	52,641
Eliminated on disposals	—	—	—	(168)	—	—	(168)
At 31 December 2011	49,512	6,392	—	8,676	992	—	65,572
Provided for the year	39,748	6,151	—	8,931	674	—	55,504
Eliminated on disposals	—	—	—	(102)	—	—	(102)
At 31 December 2012	89,260	12,543	—	17,505	1,666	—	120,974
Provided for the year	41,152	6,375	1,517	9,583	1,373	—	60,000
Eliminated on disposals	—	—	—	(790)	—	—	(790)
At 31 December 2013	130,412	18,918	1,517	26,298	3,039	—	180,184
CARRYING VALUES							
At 31 December 2011	707,318	115,496	—	39,383	1,814	8,168	872,179
At 31 December 2012	686,987	127,335	23,145	34,203	2,324	14,229	888,223
At 31 December 2013	671,254	128,812	39,893	27,421	8,681	14,066	890,127

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis, taking into account residual value, over their estimated useful lives:

Plant and machinery	10–20 years
Buildings	20 years
Pipeline	20 years
Vehicles	4–8 years
Furniture, fixtures and equipment	3–5 years

The buildings are situated in the PRC and held under medium term lease.

Vehicles with carrying value of RMB38,196,000, RMB30,192,000 and RMB13,328,000 are held under finance lease as at 31 December 2011, 2012 and 2013, respectively.

Buildings with carrying value of RMB49,402,000, RMB60,258,000 and RMB58,147,000 as at 31 December 2011, 2012 and 2013, respectively, located in the PRC are in the process of obtaining the building certificate.

14. PREPAID LEASE PAYMENTS

Prepaid lease payments represent land use rights in the PRC obtained by the Yuanheng Gas Group under medium-term lease and are analysed for reporting purposes as:

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	936	1,395	1,395
Non-current assets	25,841	43,369	42,450
	26,777	44,764	43,845

At 31 December 2012 and 2013, the Yuanheng Gas Group is in the process of applying for the land use right certificates for a piece of land located in the PRC amounting to approximately RMB3,158,000 and RMB3,562,000, respectively. In the opinion of the directors, the Yuanheng Gas Group is not required to incur additional cost in obtaining the land use right certificates for such piece of land in the PRC.

15. GOODWILL

	Total
	RMB'000
COST	
At 1 January 2011 and 31 December 2011	188,030
Consolidation of a non-wholly owned subsidiary *(note 34)*	3,469
At 31 December 2012 and 31 December 2013	191,499
ACCUMULATED IMPAIRMENT	
At 1 January 2011, 31 December 2011, 2012 and 2013	—
CARRYING AMOUNTS	
At 31 December 2011	188,030
At 31 December 2012 and 2013	191,499

During the year ended 31 December 2010, the Yuanheng Gas Group acquired an additional 39% equity interests in Xingxing Energy and Huixin Energy, from one of the other equity owners at a total consideration of approximately RMB147,000,000. Xingxing Energy and Huixin Energy are principally engaged in production and sales of LNG and were acquired with the objective of expansion of business with synergy by exercising control over Xingxing Energy and Huixin Energy.

During the year ended 31 December 2012, the Yuanheng Gas Group has obtained control over Huaheng Energy and accounted for Huaheng Energy as a subsidiary of Yuanheng Gas Group since 28 December 2012 as set out in note 34.

For the purposes of impairment testing during the year ended 31 December 2011, goodwill has been allocated to, Xingxing Energy and Huixin Energy, together as one group of cash generating units, which represents the lowest level within the Yuanheng Gas Group at which goodwill is monitored for internal management purposes and is not larger than the operating segment of wholesale of LNG. For the purposes of impairment testing during the year ended 31 December 2012 and 2013, goodwill has been allocated to (i) Huaheng Energy as one cash generating unit ("CGU") and (ii) Xingxing Energy and Huixin Energy, together as one group of CGUs, that are expected to benefit from these business combinations. As at 31 December 2011, 2012 and 2013, the management of the Yuanheng Gas Group determined that there is no impairment of any of its goodwill.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling price and direct costs during the projection period. The directors of Yuanheng Gas estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

For the purpose of impairment testing, the Yuanheng Gas Group prepares cash flow projections covering periods ranging from 5 years to 8 years for Xingxing Energy and Huixin Energy; and based on the remaining operating period of an exclusive operating licence for Huaheng Energy. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of (i) 16.77%, 15.26% and 14.80% for the year ended 31 December 2011, 2012 and 2013, respectively, for Xingxing Energy and Huixin Energy, and (ii) 16.46% for the year ended 31 December 2012 and 2013 for Huaheng Energy. The cash flows projections beyond the 5-year period are extrapolated using a steady 3% growth rates. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. The directors of Yuanheng Gas believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the assets of the CGUs to exceed the aggregate recoverable amount of the assets of the CGUs.

16. INTANGIBLE ASSET

The intangible asset of the Yuanheng Gas Group represents Huaheng Energy's exclusive operating right of sales of piped gas to white wine distillery factories located in Huairen City of Guizhou Provinces in PRC under a supplementary agreement entered into among Yuanheng Gas, Huixin Energy and 貴州燃氣(集團)有限責任公司 (Guizhou Gas (Group) Co., Ltd) ("Guizhou Gas"), where Guizhou Gas, which obtained an exclusive operating licences from local government for the operation of sales of piped gas in designated areas in Huairen City of Guizhou Provinces in PRC ("Designated Area") over a period from the year 2007 to 2037, granted exclusive right to Huaheng Energy to operate in the Designated Area. The intangible asset has finite useful lives, and is amortised on a straight-line basis over the remaining operating period of 25 years.

	Operating right *RMB'000*
COST	
At 1 January 2011 and 31 December 2011	—
Acquisition of subsidiaries *(note 34)*	9,837
At 31 December 2012 and 2013	9,837
ACCUMULATED AMORTISATION	
At 1 January 2011, 31 December 2011 and December 2012	—
Provide for the period	(394)
At 31 December 2013	(394)
CARRYING AMOUNTS	
At 31 December 2011	—
At 31 December 2012	9,837
At 31 December 2013	9,443

17. INTERESTS IN ASSOCIATES

	As At 31 December		
	2011 *RMB'000*	**2012** *RMB'000*	**2013** *RMB'000*
Cost of unlisted investment in associates	—	—	30,000
Share of post-acquisition losses	—	—	—
	—	—	30,000

The Yuanheng Gas Group's associates are accounted for using the equity method and their details are as follow:

Name of associates	Place and date of establishment	Paid-in capital/ registered capital	Equity interest attributable to the Yuanheng Gas Group At 31 December 2011	2012	2013	Principal activities
鄂爾多斯市九安喜順物流有限公司 ("Jiu An Xi Shun Logistic")	PRC 8 January 2007	RMB10,000,000	20%	20%	20%	Provision of logistic service
貴州燃氣(集團)天然氣支綫管道有限公司 ("Guiran Pipeline Company")	PRC 25 July 2013	RMB150,000,000	N/A	N/A	20%	Investment in LNG pipeline infrastructure

Summarised financial information in respect of the Yuanheng Gas Group's associates is set out below. Aggregated information of associates are presented as the Yuanheng Gas Group's associates are not individually material.

	As At 31 December 2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Current assets	9,567	15,806	195,105
Non-current assets	24,902	19,055	15,217
Current liabilities	(27,702)	(34,615)	(73,629)
Non-current liabilities	(8,215)	(6,957)	(941)
Yuanheng Gas Group's share of net assets of associates	—	—	30,000

	Years ended 31 December 2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Total revenue	63,774	43,975	37,580
Total loss for the year	(854)	(5,263)	(7,537)
Yuanheng Gas Group's share of results of associates	—	—	—

No results of Guiran Pipeline Company have been shared by the Yuanheng Gas Group during the Relevant Periods as Guiran Pipeline Company has only been established on 25 July 2013 with no operation commenced during the Relevant Periods since its establishment.

The Yuanheng Gas Group has discontinued recognition of the share of losses of Jiu An Xi Shun Logistic as of the fact that at the date of acquisition of Xingxing Energy and Huixin Energy, Jiu An Shi Shun Logistic's total liabilities exceeded its total assets.

The amounts of unrecognised share of Jiu An Xi Shun Logistic, extracted from its relevant management account, is as follows:

	Years ended 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Unrecognised share of loss of the associate for the year	(171)	(1,053)	(1,507)
Accumulated unrecognised share of losses of the associate	(2,290)	(3,343)	(4,850)

18. INTEREST IN A JOINT VENTURE

	As At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Cost of unlisted investment in a joint venture	15,000	—	—
Share of post-acquisition loss	(212)	—	—
	14,788	—	—

Details of the Yuanheng Gas Group's joint venture are as follow:

Name of joint venture	Place and date of establishment	Equity interest attributable to the Yuanheng Gas Group At 31 December 2011	2012	2013	Principal activities
貴州華亨能源投資有限公司 ("Huaheng Energy")	PRC 24 June 2011	49.7%	N/A	N/A	Sales of piped gas

For the year ended 31 December 2011 and 2012

In June 2011, a joint venture agreement has been entered into among Yuanheng Gas, Huixin Energy and Guizhou Gas to establish Huaheng Energy which principally engaged in sales of piped gas to white wine distillery factories located in Guizhou Provinces in PRC. The paid up capital of RMB14,700,000, RMB300,000 and RMB15,000,000 was contributed by Yuanheng Gas, Huixin Energy and Guizhou Gas as joint venturers for the equity interest of 49%, 1% and 50%, respectively, and Huaheng Energy became a joint venture of Yuanheng Gas Group and is accounted for under the equity method in the Financial Information. On 28 December 2012, the Yuanheng Gas Group obtained control over Huaheng Energy which then became a non-wholly owned subsidiary of the Yuanheng Gas Group as set out in note 34.

Summarised financial information in respect of Huaheng Energy during the Relevant Periods as a joint venture of the Yuanheng Gas Group which is accounted for using equity method in the Financial Information are set out as below:

Huaheng Energy:

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	13,959	—	—
Non-current assets	23,982	—	—
Current liabilities	(8,365)	—	—
Non-current liabilities	—	—	—

The above amounts of assets and liabilities include the followings:

Cash and cash equivalents	11,027	—	—

The reconciliation of the summarised financial information to the carrying amount of interest in a joint venture is as follows:

Net assets of Huaheng Energy	29,576	—	—
Proportion of the Yuanheng Gas Group's ownership interest in Huaheng Energy	49.7%	—	—
Carrying amount of the Yuanheng Gas Group's interest in Huaheng Energy	14,788	—	—

	Years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
	(note)	*(note)*	*(note)*
Revenue	1,217	24,273	—
Other expenses and other income	(1,695)	(24,367)	—
Loss and total comprehensive expense for the period	(424)	(94)	—
Yuanheng Gas Group's share of loss and total comprehensive expense for the period	(212)	(47)	—
The above losses for the period include the followings			
Depreciation and amortisation	18	430	—
Interest income	21	—	—
Income tax expense	—	68	—
Net cash from (used in) operating activities	1,915	(11,670)	—
Net cash used in investing activities	(20,887)	(28,520)	—
Net cash from finance activities	30,000	35,000	—
Net cash inflow (outflow)	11,028	(5,190)	—

Note: The amount represented the financial information of Huaheng Energy that being accounted for as a joint venture of the Yuanheng Gas Group for the period from 24 June 2011 (date of establishment) to 28 December 2012 on which date Huaheng Energy ceased to be as joint venture but became a subsidiary of Yuanheng Gas Group.

19. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised by the Yuanheng Gas Group and movements thereon during the Relevant Periods.

	Accelerated tax depreciation	Revaluation of properties and intangible asset	Temporary difference on accruals	Tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	(5,158)	(2,485)	796	14,549	18	7,720
(Charge) credit to profit or loss	(4,077)	127	148	(741)	786	(3,757)
At 31 December 2011	(9,235)	(2,358)	944	13,808	804	3,963
Effect of change in tax rate	1,702	—	(61)	(5,523)	—	(3,882)
Obtaining control of a non-wholly owned subsidiary *(note 34)*	—	(1,476)	—	—	—	(1,476)
(Charge) credit to profit or loss	(3,855)	127	(63)	(2,842)	(804)	(7,437)
At 31 December 2012	(11,388)	(3,707)	820	5,443	—	(8,832)
(Charge) credit to profit or loss	(2,628)	186	1,108	(5,443)	—	(6,777)
At 31 December 2013	(14,016)	(3,521)	1,928	—	—	(15,609)

For the purpose of presentation in the consolidated statements of financial position, certain deferred taxation assets and liabilities have been offset. The following is the analysis of the deferred taxation balance for financial reporting purposes.

	Years ended 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	12,720	3,360	320
Deferred tax liabilities	(8,757)	(12,192)	(15,929)
	3,963	(8,832)	(15,609)

The Yuanheng Gas Group had unutilised tax losses of approximately RMB57,262,000, RMB42,212,000 and RMB8,114,000 as at 31 December 2011, 2012 and 2013, respectively. A deferred tax asset has been recognised in respect of such tax losses of approximately RMB55,232,000, RMB36,287,000 and nil as at 31 December 2011, 2012 and 2013, respectively. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB2,030,000, RMB5,925,000 and RMB8,114,000 as at 31 December 2011, 2012 and 2013, respectively, due to the unpredictability of future profit streams.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
2015	1,829	1,829	1,829
2016	201	201	201
2017	—	3,895	3,895
2018	—	—	2,189
	2,030	5,925	8,114

Other than the above amounts, the Yuanheng Gas Group had no other significant unrecognised deferred taxation.

20. INVENTORIES

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	1,780	6,138	995
Finished goods	10,591	11,141	10,467
Spare parts and consumable	11,906	12,224	14,568
	24,277	29,503	26,030

21. TRADE AND OTHER RECEIVABLES

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	321	39,509	156,036
Bills receivable	80,000	81,695	177,112
Other receivables	33,321	21,526	12,080
Prepayments	18,698	7,452	22,007
Amount due from a former equity owner of subsidiaries *(note)*	—	12,000	22,000
	132,340	162,182	389,235

Note: The amount is unsecured, interest-free and repayable on demand.

The Yuanheng Gas Group generally requires prepayments made by customers before delivery of goods or provision of services, except for certain customers to which the Yuanheng Gas Group allows an average credit period of 30 to 60 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods or rendering of services which approximated the respective dates on which revenue was recognised.

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	271	26,156	117,841
31–60 days	—	13,315	26,890
61–180 days	40	28	11,122
Over 180 days	10	10	183
	321	39,509	156,036

The following is an aged analysis of bills receivable:

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Within three months	80,000	81,695	33,300
Three months to six months	—	—	143,812
	80,000	81,695	177,112

Before accepting any new customer, the Yuanheng Gas Group assesses the potential customer's credit quality and defines credit limits by customer. The directors of Yuanheng Gas are of the opinion that the credit quality of the trade receivable balances that are neither past due nor impaired as at the end of the reporting period is good as the repayment history of the debtors is satisfactory.

Included in the Yuanheng Gas Group's trade receivable balances are debtors with aggregate carrying amount of approximately RMB50,000, RMB38,000 and RMB11,305,000 which are past due at 31 December 2011, 2012 and 2013, respectively, for which the Yuanheng Gas Group has not provided for impairment loss as the management considered the amounts are still recoverable. The Yuanheng Gas Group does not hold any collateral over these balances.

The ageing analysis of trade receivables which are past due but not impaired are as follows:

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
61–180 days	40	28	11,122
Over 180 days	10	10	183
	50	38	11,305

The movement in the impairment on trade receivables is as follows:

	As At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the reporting period	—	814	814
Impairment losses recognised on receivables	814	—	—
At the end of the reporting period	814	814	814

All trade receivables are assessed not to be impaired individually and therefore, they are subsequently assessed for impairment on a collective basis. The Yuanheng Gas Group does not hold any collateral over these balances.

The movement in the impairment on other receivables is as follows:

	As At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the reporting period	—	2,500	2,500
Impairment losses recognised on receivables	2,500	—	—
At the end of the reporting period	2,500	2,500	2,500

The directors of Yuanheng Gas are of the opinion that except for those other receivables that are impaired, the remaining other receivables are not impaired as the amounts mainly represent value-added tax recoverable, advances to staff, deposit paid to guarantors who provide financial guarantee to the Yuanheng Gas Group and short-term advances to third parties which were substantially settled subsequent to the Relevant Periods.

Transfer of financial assets

The followings were the Yuanheng Gas Group's financial assets as at the end of each reporting period that were transferred to banks, third parties or suppliers by discounting or endorsing those bills receivables on a full recourse basis. As the Yuanheng Gas Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the corresponding liabilities included in secured borrowings, other loans or trade payables respectively. These financial assets are carried at amortised cost in the Yuanheng Gas Group's consolidated statements of financial position.

Bills receivable discounted or endorsed

	As At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of bills receivable from			
— external customers	30,000	79,205	95,589
— intra-group customers *(note)*	328,822	266,400	33,300
Carrying amount of trade and other payables	(10,394)	—	(24,000)
Carrying amount of bank borrowings	(286,428)	(79,205)	(104,889)
Carrying amount of other borrowings	(62,000)	(266,400)	—

Note: Such bills receivables are arising from intra-group transactions which have been fully eliminated on consolidation.

22. AMOUNT DUE FROM A NON-CONTROLLING EQUITY OWNER/A FORMER EQUITY OWNER OF SUBSIDIARIES

Amounts due from a non-controlling equity owner of subsidiaries

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Non-controlling equity owner of Huixin Energy and Xingxing Energy *(note)*	30,521	33,138	34,654

Note: The amount is unsecured, interest bearing at 9.6% per annum. In the opinion of the directors of Yuanheng Gas, the amount is not expected to be recovered within twelve months from end of each reporting period and accordingly is classified as non-current asset.

Amount due from a former equity owner of subsidiaries

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
A former equity owner of Huixin Energy and Xingxing Energy	65,700	70,838	74,484

The amount is unsecured, interest bearing at rates ranging from 9.6% to 12% per annum and is not expected to be recovered within twelve months from the end of each reporting periods and accordingly is classified as non-current asset.

23. AMOUNT DUE FROM AN ASSOCIATE

	As At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Amount due from an associate	—	20	—
Amount due to an associate	—	—	228

24. AMOUNTS DUE FROM RELATED PARTIES

	As At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties			
廣東華亨能源有限公司(Guangdong Huaheng Energy Company Limited) ("Guangdong Huaheng") *(note 1)*	29,550	29,550	—
廣州元亨能源有限公司(Guangzhou Circle Energy Company Limited) ("Circle Energy") *(note 2)*	—	—	84,445
	29,550	29,550	84,445

Note 1: A company which (i) Mr. Wang Jianqin ("Mr. Wang"), Yuanheng Gas Group's ultimate controlling equity owner, has 90% equity interest; and (ii) Mr. Wang Jian, a brother of Mr. Wang and also the director of Yuanheng Gas during the years ended 31 December 2011, has 10% equity interest, became related party of Yuanheng Gas since 11 January 2013. The amount was unsecured, interest-free and repaid in November 2013.

Note 2: A company which (i) Mr. Wang is a key management personnel; and (ii) a director of Yuanheng Gas has equity interests with significant influence. The amount represents prepayment for purchase of liquefied natural gas and trade receivable, which are aged within 30 days based on the date of delivery of goods which approximated the respective dates on which revenues was recognised. Amount is unsecured, interest-free and repayable on demand.

25. SHORT-TERM INVESTMENTS

As at 31 December 2013, the Yuanheng Gas Group's short-term investments mainly represent financial products issued by a bank in the PRC, with an expected but not guaranteed return of 3.7% per annum, depending on the market price of its underlying financial instruments, including listed debentures. The financial products are designated at FVTPL on initial recognition as it contains embedded derivatives that are not closely related to the host contract. The directors of Yuanheng Gas consider the fair value of the financial products approximate to their principal amounts as at 31 December 2013 and the fair value of the embedded derivatives is insignificant. No fair value change is recognised during the year ended 31 December 2013. The short-term investments were settled in January 2014 at the principal amounts together with returns which approximated the expected return.

26. PLEDGED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less.

Bank balances carry interest at market rates with market rates of 0.36% to 3.30% per annum, as at 31 December 2011, 2012 and 2013.

The pledged bank deposits carrying interest rates which range from 2.80% to 3.50% per annum, amounting to (i) RMB310,146,000, RMB261,957,000 and RMB77,800,000 have been pledged to secure bills payable repayable within six months and (ii) nil, RMB44,660,000 and RMB140,000,000 have been pledged to secure bank borrowings which will be released upon the settlement, as at 31 December 2011, 2012 and 2013 respectively.

27. TRADE AND OTHER PAYABLES

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	29,737	67,992	59,390
Bills payables	100,000	30,000	203,000
Other payables	23,971	22,449	35,520
Other tax payables	23,257	31,217	27,228
Construction fee payables	4,568	4,496	4,156
Compensation payable	10,442	10,442	10,442
Consideration payable *(note)*	47,000	47,000	47,000
Receipts in advance	42,000	30,196	68,671
Payroll payables	3,775	3,686	3,528
	284,750	247,478	458,935

Notes: The amount represents consideration payable to a former non-controlling equity owner of Xingxing Energy and Huixin Energy for the acquisition of 39% equity interest in Xingxing Energy and Huixin Energy. The amount is unsecured, interest-free and repayable on demand.

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

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	18,497	60,349	54,099
91–180 days	1,152	1,163	1,672
181–365 days	4,208	104	714
Over 1 years	5,880	6,376	2,905
	29,737	67,992	59,390

The average credit period on purchase of goods is 30 to 90 days.

28. AMOUNT DUE TO A NON-CONTROLLING EQUITY OWNER OF A SUBSIDIARY

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
A non-controlling equity owner of a subsidiary	—	—	35,866

The amount represents payable to a non-controlling equity owner of Huaheng Energy for purchase of LNG, which is unsecured, interest-free and repayable on demand.

29. AMOUNTS DUE TO RELATED PARTIES

		As At 31 December		
		2011	2012	2013
		RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties				
Circle Energy	(1)			
— interest bearing portion at 16% per annum		131,730	56,757	—
— interest-free portion	(2)	151,932	261,849	500
好盈(南通)實業有限公司 (Haoying Nantong Company Limited) ("Haoying Nantong")	(3)			
— interest bearing portion at 16% per annum		10,000	—	—
— interest-free portion		34,676	4,200	4,200
廣州元亨運輸有限公司 (Guangzhou Circle Transportation Limited) ("Circle Transportation")	(4)			
— interest bearing portion at 16% per annum		30,500	—	—
— interest-free portion		513	5,231	4,731
("Humen Power")	(5)	1,000	—	—
佛山市海源化工燃料有限公司 (Foshan Haiyuan Chemical fuel Company Limited) ("Foshan Haiyuan")	(5)	22,360	—	—
江蘇潤富新能源發展有限公司(Jiangsu Runfu New Energy Development Co., Ltd.) ("JS Runfu")	(6)	—	25,947	—
		382,711	353,984	9,431

Except for certain portion with Circle Energy, Haoying Nantong and Circle Transportation which are interest bearing, the amounts due to related parties are unsecured, interest-free and repayable on demand.

(1): A company which (i) Mr. Wang, Yuanheng Gas Group's ultimate controlling equity owner is a key management personnel; and (ii) a director of Yuanheng Gas has equity interest with significant influence.

(2): Amount represents receipt in advances for the sales of goods.

(3): A company which (i) Mr. Wang, Yuanheng Gas Group's ultimate controlling equity owner, has equity interest and control over it; and (ii) Mr. Wang Jian, a brother of Mr. Wang and also the director of Yuanheng Gas during the year ended 31 December 2011, has equity interest and significant influence over it.

(4): A company which a director of Yuanheng Gas has control over it and has equity interests.

(5): A company which is a subsidiary of Circle Energy.

(6): A company which Mr. Wang Jian, a brother of Mr. Wang, has equity interests and control over it.

30. AMOUNTS DUE TO EQUITY OWNERS

	As At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Ying Luen *(note a)*	—	—	17,815
Nantong Zhong Ye *(note a)*	106,000	—	—
劉福鷗 (Liu Fu Ou) *(note b)*	27,725	29,013	—
	133,725	29,013	17,815

Note a: The amounts are unsecured, interest-free and repayment on demand.

Note b: Mr. Liu Fu Ou had equity interests in Yuanheng Gas and such interests were sold to Ying Luen in January 2013. The amount was unsecured, interest-bearing at 6.44% and repayment on demand. The amount was fully repaid in 2013.

31. BANK AND OTHER BORROWINGS

	As At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	577,428	375,205	693,889
Other borrowings	83,476	291,129	9,769
	660,904	666,334	703,658
Bank and other borrowings repayable:			
— Within 1 year or on demand	604,904	641,334	641,658
— More than 1 year, but not exceeding 2 years	56,000	25,000	29,000
— More than 2 years, but not exceeding 5 years	—	—	18,000
— More than 5 years	—	—	15,000
	660,904	666,334	703,658
Less: Amount due within one year and shown under current liabilities	(604,904)	(641,334)	(641,658)
Amount repayable after one year and shown under non-current liabilities	56,000	25,000	62,000
Analysed as:			
Secured	639,428	641,605	638,889
Unsecured	21,476	24,729	64,769
	660,904	666,334	703,658

The bank and other borrowings due for repayment are classified based on the scheduled repayment dates as set out in the relevant loan agreements, where applicable. The secured bank loans as at end of each reporting period were secured by the Yuanheng Gas Group's assets and guaranteed by related parties as set out in notes 37 and 41, respectively.

As at 31 December 2011, 2012 and 2013, financial guarantees of RMB40,000,000, nil and nil were given by third parties in respect of bank borrowings granted to the Yuanheng Gas Group.

The ranges of effective interest rates per annum (which are also equal to contractual interest rates) on the Yuanheng Gas Group's bank and other borrowings are as follows:

	As at 31 December		
	2011	**2012**	**2013**
Fixed-rate bank borrowings	6.88%–9.09%	6.50%–6.60%	6.50%–7.84%
Fixed-rate other borrowings	7.44%–16.00%	8.87%–16.00%	6.12%–7.79%
Floating-rate bank borrowings	6.56%–8.53%	6.15%–8.32%	6.15%–8.10%

Floating-rate borrowings amounted to RMB161,000,000, RMB106,000,000 and RMB128,769,000 at 31 December 2011, 2012 and 2013 respectively. The borrowings are arranged at the interest rate based on benchmark interest rate from the People's Bank of China ("Benchmark Rate") plus, if applicable, a premium and expose the Yuanheng Gas Group to cash flow interest rate risk.

As at the end of each reporting periods, the secured bank and other borrowing included bills receivables transferred to banks and third parties by discounting or endorsing those bills receivables on a full recourse basis. As the Yuanheng Gas Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the corresponding liabilities included in secured bank and other borrowings (see note 21 for details).

All bank and other borrowings are denominated in RMB.

32. OBLIGATIONS UNDER FINANCE LEASES

The Yuanheng Gas Group leased certain of its vehicles under finance leases. The lease term is ranging from 3 years to 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5.96% to 7.56% per annum. These leases have terms of renewal or purchase options that the Yuanheng Gas Group has the ability to continue the lease for a secondary period at a rent or purchase at a consideration that is substantially lower than the market value.

The Yuanheng Gas Group's obligations under finance leases are secured by the lessor's charge over the abovementioned leased assets (see notes 13 and 37).

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December			As at 31 December		
	2011	**2012**	**2013**	**2011**	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amount payable under finance leases						
Within one year	12,570	8,920	6,749	9,525	6,446	5,234
Later than one year and not later than two years	8,382	6,749	6,749	6,041	5,234	5,983
Later than two year and not later than five years	14,386	9,254	2,504	12,279	8,355	2,371
	35,338	24,923	16,002	27,845	20,035	13,588
Less: future finance charges	(7,493)	(4,888)	(2,414)	N/A	N/A	N/A
Present value of minimum lease payments	27,845	20,035	13,588	27,845	20,035	13,588
Less: Amounts due for settlement within twelve months (shown under current liabilities)				(9,525)	(6,446)	(5,234)
Amounts due for settlement after twelve months				18,320	13,589	8,354

33. PAID-IN CAPITAL

	Paid-in capital *RMB'000*
At 1 January 2011	1,000
Capital injections	113,642
At 31 December 2011	114,642
Capital injections	236,955
At 31 December 2012 and 2013	351,597

Yuanheng Gas was established on 6 July 2007 with registered capital of RMB1,000,000. On 29 September 2011, Ying Luen, Nantong Zhong Ye and the remaining equity holder of Yuanheng Gas entered into a capital expansion and injection agreement. Pursuant to this agreement, Ying Luen has agreed to contribute a registered capital of RMB193,965,000 and a capital reserve of RMB6,035,000, where Nantong Zhong Ye and the remaining equity holder has agreed to contribute a registered capital of RMB5,431,500 and RMB603,500, respectively.

In October 2011, Yuanheng Gas obtained the approval from BOFTEC for its change from a PRC limited liability company to a sino-foreign equity joint venture enterprise with the registered capital increased from RMB1,000,000 to RMB201,000,000. Ying Luen made cash capital injections of an aggregated amount of RMB200,000,000 by instalment from December 2011 to February 2012 which (i) increased the amount of the paid-in capital of Yuanheng Gas by RMB113,642,000 during the year ended 31 December 2011; and (ii) increased the amount of the paid-in capital and capital reserve of Yuanheng Gas by RMB80,323,000 and RMB6,035,000 respectively during the year ended 31 December 2012. Nantong Zhong Ye made a cash capital injection of RMB5,431,500 which increased the amount of the paid-in capital by RMB5,431,500 in February 2012 while the remaining equity holder did not make the agreed capital injection of RMB603,500 up to the date of this report.

In December 2012, Yuanheng Gas obtained the approval from BOFTEC for its change from a sino-foreign equity joint venture enterprise to a wholly owned foreign enterprise with the registered capital increased from RMB201,000,000 to RMB957,000,000. On 31 December 2012, Ying Luen made a cash capital injection of RMB151,200,000 which increased the amount of the paid-in capital of Yuanheng Gas by RMB151,200,000.

34. ACQUISITION OF SUBSIDIARIES

Year ended 31 December 2012

Acquisition of 51% equity interests of Heze Lvjie

Heze Lvjie was established on 3 June 2011 as limited liability company by菏澤交通集團總公司(Heze Transportation Group Co., Ltd) ("Heze Transportation Group") and 菏澤鴻運實業有限公司(Heze Hongyun Industrial Co., Ltd) ("Heze Hongyun") with registered capital of RMB10,000,000. Heze Transportation Group and Heze Hongyun had contributed capital of RMB1,800,000 and RMB200,000 to Heze Lvjie representing the equity interests of 90% and 10% respectively. On 4 June 2012, a joint venture agreement ("Agreement") has been entered into among Yuanheng Gas, Heze Transportation Group, Heze Hongyun and山東宏智交通投資開發有限公司(Shangdong Hongzhi Transportation Development Co., Ltd.) ("Shangdong Hongzhi"). Pursuant to the Agreement, Heze Hongyun would withdraw from the investment in Heze Lvjie where paid up capital would be transferred to Heze Transportation Group resulting in 100% equity interest being held by Heze Transportation Group. Besides, the registered capital increased from RMB10,000,000 to RMB30,000,000, of which RMB15,300,000, RMB11,400,000 and RMB3,300,000 would be contributed by the Yuanheng Gas, Heze Transportation Group and Shangdong Hongzhi respectively resulting in the holding of 51%, 38% and 11% equity interests of Heze Lvjie.

In July 2012, an equity owner resolution of Heze Lvjie was passed at a provisional equity owners' meeting to approve the transfer of paid up capital by Heze Hongyun to Heze Transportation Group, the increase of registered capital, the change of equity owners, respective amount of subscribed capital by each equity owners and timetable for their injection, amendments to memorandum and articles of association of the Heze Lvjie, termination of the existing directors and the appointment of new directors. In July 2012, Yuanheng Gas, Heze Transportation Group and Shangdong Hongzhi injected their respective amount of capital according to the resolution and entitle to the respective rights of equity owners. Yuanheng Gas has controlled the decision making on relevant activities of Heze Lvjie at equity owners' meetings and board of directors meeting and hence obtained control over Heze Lvjie. Upon acquisition, registered capital of RMB10,000,000, RMB2,000,000 and RMB3,300,000 was contributed by Yuanheng Gas, Heze Transportation Group and Shangdong Hongzhi, respectively; and registered capital of RMB5,300,000 and RMB9,400,000 have to be future contributed by Yuanheng Gas and Heze Transportation Group, respectively.

	Total
	RMB'000
Capital injection by cash	10,000

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and have been recognised as an expense in the period within the "administrative expenses" line item in the consolidated statements of profit or loss and other comprehensive income.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	Total
	RMB'000
Property, plant and equipment	9,394
Prepaid lease payments	15,830
Inventories	161
Trade and other receivables	3,867
Cash and cash equivalents	14,185
Trade and other payables	(21,313)
Amounts due to non-controlling equity owners of a subsidiary	(6,824)
Net assets acquired	15,300

The fair value of trade and other receivables at the date of acquisition amounted to RMB3,867,000 approximates to their gross contractual amounts at the date of acquisition.

Net cash inflow arising on acquisition:

	Total
	RMB'000
Capital injection by Yuanheng Gas	(10,000)
Less: Cash and cash equivalents	14,185
Net cash inflow	4,185

Goodwill arising on acquisition:

	Total
	RMB'000
Fair value of consideration given for controlling interests	10,000
Non-controlling interests	5,300
Less: fair value of net assets acquired	(15,300)
	—

The non-controlling interests amounting to approximately RMB5,300,000, was measured by reference to fair value of the non-controlling interest of Heze Lvjie at the acquisition date. The director of Yuanheng Gas considered that the actual paid in capital injected by non-controlling equity owners of the Heze Lvjie at the acquisition date approximate the fair values at the acquisition date.

Included in the profit for the year ended 31 December 2012 is approximately RMB720,000 attributable to the additional businesses generated by Heze. Revenue for the year includes approximately RMB43,396,000 generated from Heze Lvjie in total. Had the above acquisition been completed on 1 January 2012, the revenue of the Yuanheng Gas Group for the year ended 31 December 2012 would have been approximately RMB1,166,810,000, and the profit for the year would have been approximately RMB82,245,000.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Yuanheng Gas Group that actually would have been achieved had the acquisition been completed at 1 January 2012, nor is intended to be a projection of future results.

Obtaining control of a non-wholly owned subsidiary, Huaheng Energy

In June 2011, a joint venture agreement has been entered into among Yuanheng Gas, Huixin Energy and Guizhou Gas to establish Huaheng Energy with paid up capital of RMB14,700,000, RMB300,000 and RMB15,000,000 contributed by Yuanheng Gas, Huixin Energy and Guizhou Gas as joint venturers for the equity interest of 49%, 1% and 50%, respectively, and Huaheng Energy became a joint venture of Yuanheng Gas Group as set out in note 18.

For the benefits of long term developments of Huaheng Energy, Yuanheng Gas, Huixin Energy and Guizhou Gas entered into a supplementary agreement on 28 December 2012. Pursuant to which, Guizhou Gas has committed to follow the voting direction and decision of Yuanheng Gas on shareholders' meeting and board of directors' meeting except for certain special resolution relating to increase or reduction of registered capital, merger or spinoff, change of legal form, dismissal or liquidation of Huaheng and amendments to memorandum and articles of association of Huaheng Energy. As such, the directors of Yuanheng Gas are of the opinion that the Yuanheng Gas Group has obtained control over Huaheng Energy since the date of agreement. Hauheng Energy was then ceased to be a joint venture but become a subsidiary of Yuanheng Gas Group.

Fair value of assets acquired and liabilities recognised at the date of obtaining control are as follows:

	Total
	RMB'000
Property, plant and equipment	49,407
Prepaid lease payments	3,158
Intangible asset	9,837
Inventories	6,621
Trade and other receivables	18,196
Cash and cash equivalents	5,838
Trade and other payables	(10,819)
Advance from customers	(1,544)
Tax payables	(68)
Amounts due to related parties	(6,307)
Bank borrowings	(25,000)
Deferred tax liabilities	(1,476)
Net assets acquired	47,843

The fair value of trade and other receivables amounted to RMB18,196,000 approximates to their gross contractual amounts at the date of obtaining control.

Net cash outflow arising on obtaining control:

	Total
	RMB'000
Cash consideration paid	—
Less: cash and cash equivalents acquired	5,838
Net cash inflow	5,838

Goodwill arising on obtaining control:

	Total
	RMB'000
Fair value of consideration	—
Non-controlling interests	23,922
Plus: Fair value of previously-held interests	27,390
Less: Fair value of net assets acquired	(47,843)
Goodwill	3,469

Gain on discontinuance of equity accounting for joint venture:

	Total
	RMB'000
Fair value of previously-held interests	27,390
Less: carrying value of previously-held interests	(19,741)
Gain on discontinuance of equity accounting for joint venture	7,649

The non-controlling interests amounting to approximately RMB23,922,000, was measured by reference to the proportionate share of Huaheng Energy's net identifiable assets at the date the Yuanheng Gas Group obtained control.

Goodwill arose on the obtaining control of Huaheng Energy because the cost of the combination included a control premium and the future profitability as at date of obtaining control. These benefits could not be separately recognised from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

No profit for the year ended 31 December 2012 is attributable to the additional businesses generated by Huaheng Energy as a subsidiary of Yuanheng Gas Group. No revenue for the year is generated from Huaheng Energy. Had the above acquisition been completed on 1 January 2012, the revenue of the Yuanheng Gas Group for the year ended 31 December 2012 would have been approximately RMB1,167,619,000, and the profit for the year would have been approximately RMB78,035,000.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Yuanheng Gas Group that actually would have been achieved had the acquisition been completed at 1 January 2012, nor is intended to be a projection of future results.

35. NON-CONTROLLING INTERESTS

Details of non-wholly owned subsidiaries that have material non-controlling interests

Name of subsidiary	Proportion of equity interest held by non-controlling equity owners At 31 December			Profit allocated to non-controlling interests Year ended 31 December			Accumulated non-controlling interests At 31 December		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Xingxing Energy	31.0%	31.0%	31.0%	17,704	19,051	25,113	38,529	57,580	82,693
Huixin Energy	31.0%	31.0%	31.0%	(1,116)	(5,158)	9,294	(3,221)	(8,379)	915
Huaheng Energy	N/A	50.3%	50.3%	—	—	7,242	—	23,922	29,300
Heze Lvjie	N/A	49.0%	49.0%	—	353	683	—	15,053	15,736
Individually immaterial subsidiary with non-controlling interest	N/A	N/A	N/A	(285)	(343)	(625)	(1,667)	(2,010)	(2,771)
				16,303	13,903	41,707	33,641	86,166	125,873

Summarised financial information represents amounts before intragroup eliminations in respect of each of the Yuanheng Gas Group's subsidiaries that have material non-controlling interests are set out below.

Xingxing Energy:

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	236,390	283,229	329,227
Non-current assets	382,651	354,785	340,902
Current liabilities	(488,353)	(443,785)	(390,021)
Non-current liabilities	(6,400)	(8,487)	(13,357)
Equity attributable to owners of Yuanheng Gas	85,759	128,162	184,058
Non-controlling interests	38,529	57,580	82,693

	For the years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	531,800	530,980	717,013
Finance costs	(55,205)	(44,500)	(38,903)
Other expense and other income	(419,486)	(425,026)	(597,101)
Profit and total comprehensive income for the year	57,109	61,454	81,009
Profit attributable to:			
Owners of Yuanheng Gas	39,405	42,403	55,896
Non-controlling interests	17,704	19,051	25,113
Net cash from operating activities	166,678	86,144	92,943
Net cash (used in) from investing activities	(58,409)	(32,906)	49,714
Net cash used in financing activities	(108,060)	(19,395)	(156,027)
Net cash inflow (outflow)	209	33,843	(13,370)

Huixin Energy:

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	286,789	275,080	333,292
Non-current assets	496,193	464,702	440,697
Current liabilities	(734,537)	(763,907)	(764,096)
Non-current liabilities	(58,835)	(2,903)	(6,940)
Equity attributable to owners of Yuanheng Gas	(7,169)	(18,649)	2,038
Non-controlling interests	(3,221)	(8,379)	915

	For the years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	424,225	418,744	583,779
Finance costs	(63,498)	(68,114)	(63,602)
Other expense and other income	(364,326)	(367,268)	(490,196)
(Loss) profit and total comprehensive (expense) income for the year	(3,599)	(16,638)	29,981
Profit attributable to:			
Owners of Yuanheng Gas	(2,483)	(11,480)	20,687
Non-controlling interests	(1,116)	(5,158)	9,294
Net cash from (used in) operating activities	36,529	122,177	(170,320)
Net cash (used in) from investing activities	(217,831)	7,400	73,878
Net cash from (used in) financing activities	181,718	(120,501)	103,548
Net cash inflow	416	9,076	7,106

Huaheng Energy:

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	—	39,079	110,586
Non-current assets	—	52,503	96,880
Current liabilities	—	(18,739)	(112,228)
Non-current liabilities	—	(25,000)	(37,000)
Equity attributable to owners of Yuanheng Gas	—	23,921	28,938
Non-controlling interests	—	23,922	29,300

	For the years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	—	—	146,223
Finance costs	—	—	—
Other expense and other income	—	—	(131,828)
Profit and total comprehensive income for the period	—	—	14,395
Dividend	—	—	4,000
Profit attributable to:			
Owners of Yuanheng Gas	—	—	7,153
Non-controlling interests	—	—	7,242
Net cash from operating activities	—	—	25,571
Net cash used in investing activities	—	—	(90,920)
Net cash from financing activities	—	—	60,000
Net cash outflow	—	—	(5,349)

Note: The amounts represent the financial information of Huaheng Energy being consolidated as a subsidiary of Yuanheng Gas Group since 28 December 2012 as set out in note 34.

Heze Lvjie:

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	—	14,666	11,949
Non-current assets	—	24,831	23,951
Current liabilities	—	(8,777)	(3,786)
Non-current liabilities	—	—	—
Equity attributable to owners of Yuanheng Gas	—	15,667	16,378
Non-controlling interests	—	15,053	15,736

	For the years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	—	43,396	78,678
Finance costs	—	—	—
Other expense and other income	—	(42,676)	(77,284)
Profit and total comprehensive income for the period	—	720	1,394
Profit attributable to:			
Owners of Yuanheng Gas	—	367	711
Non-controlling interests	—	353	683
Net cash (used in) from operating activities	—	(22,551)	1,944
Net cash used in investing activities	—	(143)	(440)
Net cash from financing activities	—	10,400	4,300
Net cash (outflow) inflow	—	(12,294)	5,804

Note: The amounts represent the financial information of Heze Lvjie being consolidated as a subsidiary of Yuanheng Gas Group since July 2012 as set out in note 34.

36. RETIREMENT BENEFITS SCHEMES

The employees of Yuanheng Gas and its subsidiaries are established in the PRC and are members of state managed retirement benefit schemes operated by the PRC government. Yuanheng Gas and its subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specific contributions.

The Yuanheng Gas Group made contributions to the retirement benefits schemes of RMB3,819,000, RMB4,606,000, and RMB5,905,000 for the years ended 31 December 2011, 2012 and 2013, respectively.

37. PLEDGE OF ASSETS

The following assets were pledged at end of each reporting period as collaterals for certain banking facilities granted to the Yuanheng Gas Group:

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	710,337	676,122	724,435
Land use right *(note)*	26,777	25,841	24,852
Pledged bank deposits	310,146	306,617	217,800
Bills receivables	30,000	79,205	40,000
Guarantee deposit (included in other receivables)	14,230	—	—
Property, plant and equipment held under finance leases	38,196	30,192	13,328
	1,129,686	1,117,977	1,020,415

Note: As at 31 December 2011, a land use right of RMB10,678,000 was pledged to a guarantor who provide financial guarantee to the Yuanheng Gas Group.

As at the end of each reporting period, certain subsidiaries' equity investments were pledged to banks to secure loan facilities granted to the Yuanheng Gas Group.

38. LEASE ARRANGEMENTS

As lessee

As at the end of each reporting period, the Yuanheng Gas Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	—	101	777
In the second to fifth year inclusive	—	—	1,794
Over five years	—	—	500
	—	101	3,071

Operating lease payments represent rentals payable by the Yuanheng Gas Group for certain of its office premises. Leases are negotiated for terms ranging from one to ten years in fixed rentals.

39. COMMITMENTS

Commitments

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Financial Information	1,867	1,281	1,038
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	—	—	—

40. CONTINGENT LIABILITIES

	As At 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Financial guarantee given to banks in respect of a facility granted to a related party			
— Circle Energy	—	300,000	—

41. RELATED PARTIES TRANSACTIONS

Save as disclosed in respective notes above, the Yuanheng Gas Group had the following transactions with related parties:

	For the years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Sales of LNG to an associate			
— Jiu An Shi Shun Logistics	1,372	—	6,695
Sales of LNG to related parties			
— Circle Energy	251,248	298,743	87,125
— Humen Power	—	85,681	—
— JS Runfu	26,626	—	12,590
Purchase of LNG from related parties			
— Circle Energy	—	61,628	24,714
— JS Runfu	—	22,962	—
Selling expense to a related party			
— Circle Energy *(note)*	571	19,744	2,059
Selling expense to an associate			
— Jiu An Shi Shun Logistics	—	—	676

Note: During the year ended 31 December 2011, 2012 and 2013, the Yuanheng Gas Group incurred a selling expenses paid to Circle Energy in respect of sales to customers introduced by Circle Energy in the form of repurchase of LNG sold to Circle Energy at a markup from the original selling price. For the presentation in the consolidated statements of profits or loss and other comprehensive income, the sales and purchases has been offset with the difference included in the distribution and selling expenses. The following is the analysis of the sales of LNG to and repurchase of LNG from Circle Energy.

	For the years ended 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Sales of LNG	7,808	119,259	10,277
Repurchase of LNG	(8,379)	(139,003)	(12,336)
Net selling expenses	(571)	(19,744)	(2,059)

	For the years ended 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses to related parties			
— Circle Energy	21,648	10,790	4,318
— Haoying Nantong	1,623	524	—
— Circle Transportation	13	4,718	—
	23,284	16,032	4,318
Interest expenses to an equity owner of Yuanheng Gas	1,288	1,288	1,288

	For the years ended 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Guarantee given by related parties in respect of bank borrowing and banking facilities granted to the Yuanheng Gas Group			
— Circle Energy	30,000	—	—
— Mr. Wang	—	—	700,000
	30,000	—	700,000
Guarantee given to bank in respect of a facilities granted to a related party			
— Circle Energy	—	300,000	—

Balances with related parties are stated in the consolidated statements of financial position and the related notes.

The remuneration paid and payable to the key management of the Yuanheng Gas Group, which include the directors of Yuanheng Gas, for the Relevant Periods, is as follows:

	For the years ended 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries and allowances	2,749	3,150	3,116
Retirement benefits contributions	177	318	284
	2,926	3,468	3,400

42. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2011 and 2012 purchases of property, plant and equipment amounting to RMB22,694,000 and RMB2,055,000 respectively, have been under finance lease arrangement.

At 1 January 2011, bills receivables of RMB8,500,000 had been endorsed with recourse to suppliers. During year ended 31 December 2011, the suppliers directly received the contractually entitled cash flows of RMB8,500,000 upon maturity of the endorsed bills receivables from the Yuanheng Gas Group's debtors as settlement of the related account payables of the Yuanheng Gas Group.

At 31 December 2011 and 2012, bills receivables of RMB30,000,000 and RMB79,205,000 respectively, had been discounted with recourse to banks. During the year ended 31 December 2012 and 2013, the banks directly received the contractually entitled cash flows of RMB247,627,000 and RMB173,054,000 respectively upon maturity of the discounted bills receivable from the Yuanheng Gas Group's debtors as settlement of the related bank borrowings of the Yuanheng Gas Group.

43. CAPITAL RISK MANAGEMENT

The Yuanheng Gas Group manages its capital to ensure that entities in the Yuanheng Gas Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Yuanheng Gas Group's overall strategy remains unchanged over the Relevant Periods.

The capital structure of the Yuanheng Gas Group consists of debt, which includes the bank and other borrowings, disclosed in note 31, and equity attributable to owners of the Yuanheng Gas, comprising capital and reserves.

The management of the Yuanheng Gas Group reviews the capital structure periodically. As part of this review, the management considers the cost of capital and the risks associated with each class of capital and balance its overall capital structure through the payment of dividends, capital injection as well as the issue of new debt or the redemption of existing debt.

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As At 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	612,795	807,835	860,516
Financial assets designated as at fair value through profit or loss	—	—	46,000
Financial liabilities			
Amortised cost	1,420,903	1,251,745	1,140,094

(b) Financial risk management objectives and policies

The Yuanheng Gas Group's major financial instruments are trade and other receivables, amount due from (to) an associate, amounts due from (to) related parties, short-term investments, pledged bank deposits, cash and cash equivalent, trade and other payables, amounts due to equity owners, amounts due from (to) non-controlling equity owners in subsidiaries, bank and other borrowings. Details of these financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Yuanheng Gas Group through internal risk assessment which analyses exposures by degree and magnitude of risks. These risks include market risk (including interest rate risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are sets out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Save as the short-term investment disclosed in note 25, which is invested for the purpose of better utilisation of temporary idle cash, the Yuanheng Gas Group does not enter into any trade financial instruments, including derivative financial instruments, for hedging or speculative purpose. There has been no significant change to the Yuanheng Gas Group's exposure to these kinds of risks or the manner in which it manages and measures.

(i) Market risk management

The Yuanheng Gas Group's activities expose primarily to the market risks of changes in interest rates. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk over the Relevant Periods.

Interest rate risk management

The Yuanheng Gas Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and bank borrowings which carry at prevailing deposit interest rates and variable rate based on the interest rates quoted by the People's Bank of China.

The Yuanheng Gas Group's fair value interest rate risk relates primarily to its fixed rate pledged bank deposits, and fixed rate bank and other borrowings. The Yuanheng Gas Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

The Yuanheng Gas Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

Sensitivity analysis on bank balances is not presented as the management of the Yuanheng Gas Group considers that Yuanheng Gas Group's exposure to interest rate fluctuation is insignificant.

The sensitivity analyses below have been prepared based on the exposure to interest rates for variable-rate bank borrowings at the end of each reporting period which was assumed to be outstanding for the whole year and the stipulated change taking place at the beginning of the financial year and held constant throughout the year/period in the case of instruments that have floating rates. A 50 basis points increase or decrease for variable-rate bank borrowings is used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in interest rate.

If interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Yuanheng Gas Group's profit would decrease/increase by approximately RMB604,000, RMB451,000 and RMB506,000, for the years ended 31 December 2011, 2012 and 2013 respectively.

Foreign currency risk management

The Yuanheng Gas Group's transactions were mainly conducted in Renminbi, the functional currency of the Yuanheng Gas Group, and its major receivables and payables, and majority of borrowings are denominated in Renminbi. Hence, the Yuanheng Gas Group currently does not have a foreign currency hedging policy as the exposure to foreign currency risk is minimal.

(ii) Credit risk management

The Yuanheng Gas Group's maximum exposure to credit risk which will cause a financial loss to the Yuanheng Gas Group due to failure to perform an obligation by the counterparties and financial guarantees issued by the Yuanheng Gas Group arises from (a) the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position; and (b) the amount of contingent liabilities disclosed in note 40.

The management closely monitors its credit exposure by implementation of policies for necessary follow-up actions to minimise its credit risk throughout the year. In addition, the Yuanheng Gas Group reviews the recoverable amounts of amounts due from each counterparty at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on contingent liabilities in relation to financial guarantee disclosed in note 40 is limited because the counterparty is a related party that is financially sound. In addition, the Yuanheng Gas Group regularly reviews the financial position of the counterparty to ensure that the chance of default by the counterparty is low.

The credit risk on liquid funds is limited because the counterparties are banks in the PRC with high credit rankings.

The credit risk on bills receivable are insignificant because all bills receivable are bank acceptance bills issued by state-owned banks and aged within 180 days at the end of each reporting period.

The management of Yuanheng Gas Group considers that there is no significant concentration of credit risk on trade receivables, with exposure spread over a large number of counterparties and customers. However, the Yuanheng Gas Group is exposed to significant concentration of credit risk with amounts due from non-controlling equity owners of subsidiaries/amount due from a former equity owner of subsidiaries/amounts due from related parties. The credit risk on amounts due from non-controlling equity owners of subsidiaries/amount due from a former equity owner of subsidiaries/amounts due from related parties are insignificant after considering the financial strength of these related entities.

(iii) Liquidity risk management

The Yuanheng Gas Group's objective is to maintain a balance between continuity of funding and the flexibility through the use of borrowings. The management closely monitors the liquidity position of each company within the Yuanheng Gas Group and expect to have adequate sources of funding to finance the Yuanheng Gas Group's operations.

In preparing the Financial Information, the directors of Yuanheng Gas have given careful considerations to the future liquidity of the Yuanheng Gas Group in light of the fact that as at 31 December 2011, 2012 and 2013, its current liabilities exceeded its current assets by approximately RMB898,276,000, RMB601,363,000 and RMB420,731,000 respectively. Taking into account of (i) the internally generated funds, (ii) available long term loan facilities of RMB500,000,000 with maturity up to May 2015, respectively, and (iii) RMB200,000,000 of the RMB500,000,000 facilities which was utilised as at 31 December 2013 and included under bank borrowings due within one year and can be extended to May 2015 pursuant to the relevant facilities agreement, the directors of Yuanheng Gas are confident that the Yuanheng Gas Group will be able to meet its financial obligations when they fall due in the foreseeable future.

The following tables detail the Yuanheng Gas Group's contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Yuanheng Gas Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or within 60 days	61–180 days	181–365 days	1–2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2011									
Non-derivative financial liabilities									
Trade and other payables	—	140,718	75,000	—	—	—	—	215,718	215,718
Amounts due to equity owners	0.00–6.44	133,725	—	—	—	—	—	133,725	133,725
Amounts due to related parties	0.00–16.00	382,711	—	—	—	—	—	382,711	382,711
Obligations under finance leases	5.76–7.56	2,095	4,190	6,285	8,382	14,386	—	35,338	27,845
Bank and other borrowings									
— fixed rate	6.88–16.00	167,417	284,561	51,452	—	—	—	503,430	499,904
— variable rate	6.56–8.53	2,098	4,195	109,269	60,608	—	—	176,170	161,000
		828,764	367,946	167,006	68,990	14,386	—	1,447,092	1,420,903

	Weighted average interest rate	On demand or within 60 days	61–180 days	181–365 days	1–2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2012									
Non-derivative financial liabilities									
Trade and other payables	—	167,379	15,000	—	—	—	—	182,379	182,379
Amounts due to equity owners	6.44	29,013	—	—	—	—	—	29,013	29,013
Amounts due to related parties	0.00–16.00	353,984	—	—	—	—	—	353,984	353,984
Obligations under finance leases	5.76–7.56	1,487	2,973	4,460	6,749	9,254	—	24,923	20,035
Bank and other borrowings									
— fixed rate	6.50–16.00	105,972	270,477	194,180	—	—	—	570,629	560,334
— variable rate	6.15–8.32	1,219	2,438	83,603	26,264	—	—	113,524	106,000
Financial guarantee contract		300,000	—	—	—	—	—	300,000	—
		959,054	290,888	282,243	33,013	9,254	—	1,574,452	1,251,745

	Weighted average interest rate	On demand or within 60 days	61–180 days	181–365 days	1–2 years	2–5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2013									
Non-derivative financial liabilities									
Trade and other payables	—	319,508	40,000	—	—	—	—	359,508	359,508
Amounts due to equity owners	—	17,815	—	—	—	—	—	17,815	17,815
Amount due to a non-controlling equity owner of a subsidiary	—	35,866	—	—	—	—	—	35,866	35,866
Amount due to an associate	—	228	—	—	—	—	—	228	228
Amounts due to related parties	0.00–16.00	9,431	—	—	—	—	—	9,431	9,431
Obligations under finance leases	5.96–6.90	1,125	2,250	3,374	6,749	2,504	—	16,002	13,588
Bank and other borrowings									
— fixed rate	6.12–7.79	39,850	212,101	345,033	—	—	—	596,984	574,889
— variable rate	6.15–8.10	10,768	4,201	59,870	31,354	23,000	17,033	146,226	128,769
		434,591	258,552	408,277	38,103	25,504	17,033	1,182,060	1,140,094

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

The amounts included above for financial guarantee contracts are the maximum amounts the Yuanheng Gas Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of each reporting period, the Yuanheng Gas Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(c) Fair value of financial instruments

The short-term investments (see note 25) are measured at fair value at the end of each reporting period. The fair value of short-term investments was RMB46,000,000 as at 31 December 2013 which are determined with reference to discounted cash flow model, which is based on the expected return of the structured deposits.

The directors of Yuanheng Gas consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

Fair value measurements recognised in the statements of financial position

Financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The short-term investments (see note 25) which is classified as financial assets designated as at FVTPL is grouped into Level 2.

B. EVENT AFTER THE RELEVANT PERIODS

Save as discussed in this report, no other event after the Relevant Periods occurred up to the date of this report.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Yuanheng Gas Group, Yuanheng Gas or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2013.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set out in this Appendix does not form part of the Accountants' Reports on the UHL Group and Yuanheng Gas Group issued by Deloitte Touche Tohmatsu, the Company's reporting accountants, as set out in "Appendix IIA — Financial Information of UHL Group" and "Appendix IIB — Financial Information of Yuanheng Gas Group", respectively and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information of the Group" set out in Appendix I and the Accountants' Report set out in "Appendix IIA — Financial Information of UHL Group".

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(I) Basis of Preparation of the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group

Upon the completion of the mandatory unconditional cash offer on 3 January 2011, Frontier Global Group Limited, which is indirectly controlled by Mr. Wang, acquired 71.5% of the aggregate issued share capital of the Company (the "Acquisition").

On 28 October 2013, the Group entered into a share purchase agreement with Ying Hui Limited (the "Vendor") and the Vendor's shareholder to acquire the entire interest of Union Honor Limited, a wholly-owned subsidiary of the Vendor (the "Transaction").

Up to 11 January 2013, Champion Ever has advanced the Hong Kong dollars loans of HK$240,000,000 and Renminbi loans of RMB151,200,000 to the Vendor. Mr. Wang is the sole shareholder of Champion Ever. The issued share of the Vendor had been pledged to Champion Ever to secure the loan repayment from the Vendor. In view of the financial difficulty of the Vendor for the loan repayment, the Vendor, the Vendor's then shareholder and Champion Ever entered into a loan settlement agreement on 11 January 2013 pursuant to which the share of the Vendor was transferred from the Vendor's then shareholder to Champion Ever at a cash consideration of HK$800,000 and waiver of the abovementioned loans and related interest. The instrument of transfer was signed and completed on 11 January 2013 and Champion Ever became the holding company of the Vender on the same date.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the completion of the Transaction on the basis of notes set out below for illustrating the effect of the Transaction, as if the Transaction had taken place on 30 September 2013 for the preparation of the unaudited pro forma consolidated statement of financial position. For the preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows, it is assumed that the Transaction had taken place on 1 April 2012.

The information is prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the results and cash flows, or financial position of the Enlarged Group would have been upon completion of the Transaction in any future periods or on any future dates.

The unaudited pro forma consolidated statement of financial position as at 30 September 2013 is prepared based on (i) the unaudited consolidated statement of financial position of the Group as at 30 September 2013 as extracted from the condensed consolidated financial statements set out in the latest published interim financial information of the Group and (ii) the audited consolidated statement of financial position of the UHL Group as at 31 December 2013 as extracted from the Accountants' Report on UHL Group set out in Appendix IIA to this Circular, after making pro forma adjustments to the Transaction, as if the Transaction had completed on 30 September 2013.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 March 2013 are prepared based on (i) the audited consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 March 2013 as extracted from the consolidated financial statements set out in the latest published annual report of the Group and (ii) the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the UHL Group for the year ended 31 December 2013 as extracted from the Accountants' Report on UHL Group set out in Appendix IIA to this Circular, after making pro forma adjustments to the Transaction, as if the Transaction had taken place on 1 April 2012.

(II) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 30 September 2013	The Group as at 30 September 2013	The UHL Group as at 31 December 2013	Pro forma adjustments					Unaudited pro forma for the Enlarged Group
				Acquisition of UHL by the Group	Acquisition of the Company on 3 January 2011	Impairment of goodwill arising on acquisition of the Company	Goodwill arising on acquisition of UHL	Transaction costs related to the Transaction	
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 4)*	*(Note 4)*	*(Note 5)*	
NON-CURRENT ASSETS									
Property, plant and equipment	511	403	890,127						890,530
Prepaid lease payments	—	—	41,683						41,683
Goodwill	—	—	103,683		214,048	(214,048)	(46,943)		56,740
Intangible assets	—	—	9,443						9,443
Interests in associates	—	—	30,000						30,000
Amount due from a non-controlling equity owner of subsidiaries	—	—	34,654						34,654
Amount due from a former equity owner of subsidiaries	—	—	74,484						74,484
Deferred tax assets	—	—	320						320
Deposits paid for acquisition of property, plant and equipment	—	—	4,969						4,969
	511	403	1,189,363						1,142,823
CURRENT ASSETS									
Inventories	—	—	26,030						26,030
Trade and other receivables	1,070,789	844,853	389,357						1,234,210
Utility deposits	317	250	—						250
Prepaid lease payments	—	—	1,349						1,349
Amounts due from related parties	—	—	84,445						84,445
Short-term investments	—	—	46,000						46,000
Tax recoverable	269	212	—						212
Pledge bank deposits	—	—	217,800						217,800
Bank balances and cash	93,466	73,745	77,463	(55,230)				(2,825)	93,153
	1,164,841	919,060	842,444						1,703,449
CURRENT LIABILITIES									
Trade and other payables	1,069,772	844,050	468,287						1,312,337
Amounts due to non-controlling equity owners of subsidiaries	—	—	35,866						35,866
Amount due to an associate	38	30	228						258
Amounts due to related parties	—	—	4,700						4,700
Amount due to immediate holding company of the Company	7,750	6,115	—						6,115
Tax payables	443	350	93,405						93,755
Bank and other borrowings due within one year	—	—	641,658						641,658
Obligations under finance leases	—	—	5,234						5,234
	1,078,003	850,545	1,249,378						2,099,923
NET CURRENT ASSETS (LIABILITIES)	86,838	68,515	(406,934)						(396,474)
TOTAL ASSETS LESS CURRENT LIABILITIES	87,349	68,918	782,429						746,349
CAPITAL AND RESERVES									
Share capital	101,959	80,446	—	337,946					418,392
Share premium	171,200	135,077	—	3,075,300					3,210,377
Statutory surplus reserve	—	—	14,936	(2,681)					12,255
Shareholder's contribution	—	—	376,870	(351,252)					25,618
Designated safety fund	—	—	8,630	(5,092)					3,538
Other reserve	71,372	56,312	(576)	(3,057,062)	(61,704)		(46,943)		(3,109,973)
Translation reserve	387	305							305
(Accumulated losses) retained earnings	(257,569)	(203,222)	170,815	(52,389)	275,752	(214,048)	—	(2,825)	(25,917)
Equity attributable to owners of the Company	87,349	68,918	570,675	(55,230)	214,048	(214,048)	(46,943)	(2,825)	534,595
Non-controlling interests	—		125,673		—	—	—	—	125,673
Total Equity	87,349	68,918	696,348						660,268
NON-CURRENT LIABILITIES									
Deferred tax liabilities	—	—	15,727						15,727
Bank and other borrowings due after one year	—	—	62,000						62,000
Obligations under finance leases	—	—	8,354						8,354
	—	—	86,081						86,081
	87,349	68,918	782,429						746,349

(III) Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Enlarged Group

				Pro forma adjustment	
	The Group for the year ended 31 March 2013	The Group for the year ended 31 March 2013	The UHL Group for the year ended 31 December 2013	Transaction costs related to the Transaction	Unaudited pro forma for the Enlarged Group
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 1)*	*(Note 2)*	*(Note 5)*	
Gross amounts of oil and gas sales contracts	6,150,668	4,910,078			4,910,078
Gross amounts of oil and gas purchase contracts	(6,141,195)	(4,902,516)			(4,902,516)
Consultancy service fee income	620	495			495
Net income from oil and gas contracts and consultancy service	10,093	8,057	—		8,057
Revenue	1,499	1,197	1,832,457		1,833,654
Cost of sales	(1,469)	(1,173)	(1,458,215)		(1,459,388)
Gross profit	30	24	374,242		374,266
Other income	84	67	13,790		13,857
Other gains			148		148
Distribution and selling expenses	—	—	(34,843)		(34,843)
Administrative expenses	(10,170)	(8,118)	(69,860)	(2,825)	(80,803)
Finance costs	(2,747)	(2,193)	(47,609)		(49,802)
(Loss) profit before tax	(2,710)	(2,163)	235,868		230,880
Income tax expense	(220)	(176)	(59,942)		(60,118)
(Loss) profit for the year	(2,930)	(2,339)	175,926		170,762
Other comprehensive income for the year					
— Exchange differences arising on translation	45	36	—		36
Total comprehensive (expense) income for the year	(2,885)	(2,303)	175,926		170,798
Attributable to:					
Owners of the Company	(2,885)	(2,303)	134,219	(2,825)	129,091
Non-controlling interests	—	—	41,707		41,707
	(2,885)	(2,303)	175,926		170,798

(IV) Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

				Pro forma adjustments		
	The Group for the year ended 31 March 2013	The Group for the year ended 31 March 2013	The UHL Group for the year ended 31 December 2013	Acquisition of the UHL Group	Transaction costs related to the Transaction	Unaudited pro forma for the Enlarged Group
	HKD'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
	(Note 1)	*(Note 1)*	*(Note 2)*	*(Note 3)*	*(Note 5)*	
Operating activities						
(Loss) profit before tax	(2,710)	(2,163)	235,868		(2,825)	230,880
Adjusted for:						
Depreciation of property, plant and equipment	12	10	60,000			60,010
Amortisation of intangible asset			394			394
Amortisation of prepaid lease payments	—	—	1,424			1,424
Interest income	(82)	(65)	(9,694)			(9,759)
Interest expense	2,747	2,193	47,609			49,802
Gain on disposal of property, plant and equipment	—	—	(76)			(76)
Operating cash flows before movements in working capital	(33)	(25)	335,525	—	(2,825)	332,675
Increase in deposits	(317)	(253)				(253)
Decrease in inventories	—	—	3,473			3,473
Increase in trade and other receivables	(1,351,634)	(1,079,009)	(390,116)			(1,469,125)
Increase in trade and other payables	885,930	707,238	214,403			921,641
Increase in amount due to a non-controlling equity owner of a subsidiary			35,866			35,866
Decrease in amount due from an associate			20			20
Increase in amount due to an associate	—	—	228			228
Increase in amount due from a related party			(84,445)			(84,445)
Decrease in amounts due to related parties	—	—	(287,296)			(287,296)
Cash used in operations	(466,054)	(372,049)	(172,342)	—	(2,825)	(547,216)
Income tax paid	(625)	(499)	(20,096)			(20,595)
Net cash used in operating activities	(466,679)	(372,548)	(192,438)	—	(2,825)	(567,811)
Investing activities						
Interest received	82	65	4,532			4,597
Purchase of property, plant and equipment	(463)	(370)	(59,653)			(60,023)
Capital injection to a joint venture	—	—	(30,000)			(30,000)
Advance to a former equity owner of subsidiaries	—	—	(10,000)			(10,000)
Repayment from a related party			29,550			29,550
Purchase of short-term investments			(229,000)			(229,000)
Proceeds from redemption of short-term investments			183,000			183,000
Purchase of land use rights			(551)			(551)
Proceeds on disposal of property, plant and equipment	—	—	447			447
Withdrawal of pledged bank deposits	—	—	359,025	—		359,025
Placement of pledged bank deposits	—	—	(270,208)	—		(270,208)
Net cash used in investing activities	(381)	(305)	(22,858)	—	—	(23,163)
Financing activities						
Acquisition of the UHL Group	—	—		152,753		152,753
Dividends paid to a non-controlling equity owner of a subsidiary	—	—	(2,000)			(2,000)
Acquisition of additional equity interests of a subsidiary	—	—	(6,432)			(6,432)
Capital contribution from a shareholder	—	—	25,618			25,618
Fund raised from discounted bills with recourse	469,993	375,195	—			375,195
Repayment to related parties	(11,943)	(9,534)	(56,757)			(66,291)
New bank and other borrowings raised	—	—	833,539			833,539
Repayments of bank and other borrowings	—	—	(623,161)			(623,161)
Repayment to non-controlling equity owners of a subsidiary	—	—	(29,013)			(29,013)
Repayment of obligation under finance lease	—	—	(6,447)			(6,447)
Interest paid	(2,747)	(2,193)	(50,571)			(52,764)
Net cash from financing activities	455,303	363,468	84,776	152,753	—	600,997
Net (decrease) increase in cash and cash equivalents	(11,757)	(9,385)	(130,520)	152,753	(2,825)	10,023
CASH & CASH EQUIVALENT AT BEGINNING OF THE YEAR	113,343	90,482	207,983	(207,983)		90,482
CASH & CASH EQUIVALENT AT END OF THE YEAR, represented by bank balances and cash	101,586	81,097	77,463	(55,230)	(2,825)	100,505

Notes:

1. For the preparation of unaudited pro forma condensed consolidated statement of financial position, the amounts are extracted from the latest published unaudited condensed consolidated financial position of the Group as at 30 September 2013 on which no audit or review report has been published, whereas for the preparation of unaudited pro forma consolidated statement of profit or loss and other comprehensive income, and consolidated statement of cash flows, the amounts are extracted from the latest published audited consolidated financial statements of the Group for the year ended 31 March 2013.

   For the purpose of preparation of the unaudited pro forma financial information, the presentation currency of the Group is changed from Hong Kong dollars ("HK$") to Renminbi ("RMB").

   The results and cash flows of the Group presented in HK$ are translated into RMB at the average exchange rate of HK$1 to RMB0.798 for the year ended 31 March 2013. Items of the consolidated statement of financial position are translated into RMB at the exchange rate ruling at 30 September 2013 of HK$1 to RMB0.789.

2. The amounts are extracted from the Accountants' Report on the UHL Group as set out in Appendix II A to this Circular.

3. On 28 October 2013, the Company entered into a share purchase agreement ("SPA") with the Vendor and the Vendor's shareholder to acquire the entire interest of Union Honor Limited (the "Transaction"). Pursuant to the SPA, the total consideration of the Transaction is HK$2,861,775,000 (approximately RMB2,249,354,000), which is satisfied by:

   (i) cash consideration of HK$70,000,000 (approximately RMB55,230,000);

   (ii) HK$1,953,875,000 (approximately RMB1,535,745,000) by procuring the Company to issue and allot to the Vendor's shareholder a total of 2,791,250,000 shares at an issue price of HK$0.70 per share.

   (iii) the balance of HK$837,900,000 (approximately RMB658,589,000) by procuring the Company to issue and allot to the Vendor's shareholder a total of 1,197,000,000 convertible preferred shares ("Convertible Preferred Share") at an issue price at par value of HK$0.70 per Convertible Preferred Share pursuant to the SPA.

   On 17 March 2014, the Group entered into a supplemental agreement ("Supplemental SPA"), with the Vendor and the Vendor's shareholder pursuant to which the settlement arrangement of the consideration of the Transaction has been revised. According to the Supplemental SPA, the total consideration of the Transaction is revised to HK$3,068,246,000 (approximately RMB2,420,846,000), which is satisfied by:

   (i) cash consideration of HK$70,000,000 (approximately RMB55,230,000)

   (ii) HK$2,998,246,000 (approximately RMB2,365,616,000) by procuring the Company to issue and allot to the Vendor's shareholder of a total 4,283,209,057 shares ("Consideration Shares") at an issue price of HK$0.70 per Consideration Share. For the purpose of the unaudited pro forma financial information of the Enlarged Group, assuming the Transaction was completed on 30 September 2013, the fair value of the Consideration Shares is HK$4,326,041,000 (approximately RMB3,413,246,000) which is based on the closing share price of the Company as at 30 September 2013 of HK$1.01 per share of which an amount of HK$428,321,000 (approximately RMB337,946,000) was credited to the share capital at par value of HK$0.10 per share of the Company and the remaining HK$3,897,720,000 (approximately RMB3,075,300,000) was credited to the share premium of the Company.

The total consideration of the Transaction would be RMB3,468,476,000 if based on the closing share price of the Company as at 30 September 2013 for the issue of Consideration Shares, assuming the Transaction was completed on 30 September 2013 is recognised in other reserve of equity. The shareholder's contribution of RMB351,252,000, statutory surplus reserve of RMB2,681,000, designated safety fund of RMB5,092,000 and retained earnings of RMB52,389,000 as at 11 January 2013 (the date that Mr. Wang obtained control of the UHL Group), are eliminated against the other reserve of RMB411,414,000. The net adjustment to other reserve of this and the elimination of reserves of UHL Group at 11 January 2013 as abovementioned is RMB3,057,062,000.

As mentioned, the audited consolidated statement of cash flows of the UHL Group for the year ended 31 December 2013 is extracted from the Accountants' Report on UHL Group set out in Appendix IIA to this Circular, as if the Transaction had taken place on 1 April 2012, and accordingly cash and cash equivalent of the UHL Group at beginning of the year amounting to RMB207,983,000 is eliminated. The net cash inflow on acquisition of the UHL Group is as follows:

	RMB'000
Cash consideration paid	55,230
Less: cash and cash equivalent balances acquired	(207,983)
	152,753

The adjustment is not expected to have continuing effect on the Enlarged Group but will be reflected in the consolidated statement of financial position and consolidated statement of cash flow of the Group in the year when the Transaction actually takes place.

4. Upon the completion of the mandatory unconditional cash offer on 3 January 2011, Frontier Global Group Limited, which is indirectly controlled by Mr. Wang, acquired 71.5% of the aggregate issued share capital of the Company (the "Acquisition").

   Mr. Wang obtained control over the Company on 3 January 2011 and the Vendor on 11 January 2013. The Transaction is considered as a combination of businesses under common control and accounted for under merger basis taking into consideration of the requirements under Accounting Guideline 5 "Merger Accounting for Common Control Combinations". For this Transaction, as mentioned, the Group entered into a share purchase agreement with the Vendor and the Vendor's shareholders to acquire the entire interest of Union Honor Limited, a wholly-owned subsidiary of the Vendor and the Vendor is a shell entity with no operation. The directors of the Group have therefore assessed the fair values of the identifiable assets acquired and liabilities assumed of the Group on 3 January 2011 and the UHL Group instead of the Vendor which is the Company acquired in the Transaction on 11 January 2013 and are of the opinion that the then fair values of identifiable assets and liabilities of the Group and the UHL Group approximated to their carrying amounts as at 3 January 2011 and 11 January 2013 respectively.

(1) Fair value of identifiable assets and liabilities of the Group at 3 January 2011:

	HK$'000
Property, plant and equipment	3,102
Interest in an associate	38
Inventories	74,604
Trade and other receivables and prepayments	183,503
Tax recoverable	45
Pledged bank deposits/bank balances and cash	11,762
Trade and other payables and accruals	(358,925)
Tax payable	(83)
Obligations under finance leases — due within one year	(51)
Provision	(17,844)
	(103,849)

Goodwill is determined as the excess of the consideration paid by Mr. Wang upon obtaining the control over the Group on 3 January 2011 and the amount of non-controlling interests in the Group over the fair values of the identifiable assets acquired and liabilities assumed of the Group at 3 January 2011, translated from HK$ to RMB at the exchange rate of HK$1 to RMB0.848 at 3 January 2011, as follows:

	HK$'000	*Equivalent to RMB'000*
Consideration for the acquisition of the Group (Note)	178,045	151,053
Non-controlling interest, based on 28.5% of the net identifiable liabilities of the Group	(29,597)	(25,110)
Fair value of net identifiable liabilities of the Group	103,849	88,105
Goodwill	252,297	214,048

Note:

Consideration for the acquisition of the Group was based on cash amount paid by Mr. Wang at the mandatory unconditional cash offer, details were disclosed in the announcement published by the Company on 3 January 2011.

Goodwill of RMB214,048,000 is recognised in the unaudited pro forma consolidated statement of financial position of the Enlarged Group with corresponding credit to other reserve of equity.

The net adjustment to other reserve amounting to RMB61,704,000 arising from the acquisition of the Company on 3 January 2011 (the date that Mr. Wang obtained control of the Group) comprised the recognition of the goodwill from acquisition amounting to RMB214,048,000 and the elimination of the accumulated losses of the Group on 3 January 2011 amounting to RMB275,752,000.

(2) Fair value of identifiable assets and liabilities of the UHL Group on 11 January 2013:

	RMB'000
Property, plant and equipment	888,223
Prepaid lease payments	43,907
Intangible assets	9,837
Amount due from a non-controlling equity owner of subsidiaries	33,138
Amount due from a former equity owner of subsidiaries	70,838
Deferred tax assets	3,360
Deposits paid for acquisition of property, plant and equipment	4,969
Inventories	29,503
Trade and other receivables	162,298
Amount due from an associate	20
Amounts due from related parties	29,550
Pledged bank deposits	306,617
Cash and cash equivalents	207,983
Trade and other payables	(254,229)
Amounts due to non-controlling equity owners in subsidiaries	(29,013)
Amounts due to related parties	(348,753)
Tax payables	(60,348)
Bank and other borrowings	(666,334)
Obligations under finance leases	(20,035)
Deferred tax liabilities	(11,978)
	399,553

	RMB'000
Cash consideration paid for the acquisition of the UHL Group of HK$800,000	629
Deemed consideration for the acquisition of the UHL Group of the unpaid loans waived amounting to HK$240,000,000 (Hong Kong dollars loan) and RMB151,200,000 (Renminbi loan) and related unpaid interest amounting to RMB22,451,000	362,351
Fair value of net identifiable assets of the UHL Group	(399,553)
Non-controlling interests of the UHL Group	93,313
Goodwill	56,740

Goodwill arising from the acquisition of the Group and the UHL Group is tested for impairment at least annually or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable in accordance with the accounting policies of the Group and the requirements of Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36"). Goodwill will be allocated to the cash generating units ("CGUs") that are expected to benefit from the synergies of the acquisition of the Group and UHL Group, both existing and acquired CGUs, for the purpose of impairment testing. The results of the Enlarged Group may be affected by impairment loss whenever the recoverable amount of CGUs is lower than the carrying amount.

Based on the existing business model of the Group and the UHL Group, the directors of the Company have performed the necessary assessment on impairment in accordance with the requirement under HKAS 36. With reference to the cash flow forecast prepared by the management of the Group, the directors of the Company are of the opinion goodwill of RMB214,048,000 arising on the acquisition of the Group has been fully impaired during the year ended 31 March 2012 and charged to profit or loss for that year ended and recognised in accumulated losses of the Group in the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 September 2013. The directors of the Company are of the opinion that the carrying amount of goodwill of the UHL Group was RMB56,740,000. A pro forma adjustment on the goodwill of the UHL Group amounting to RMB46,943,000 was recognised in other reserve of the Enlarged Group in the unaudited pro forma consolidated statement of financial position as at 30 September 2013.

These adjustments are not expected to have continuing effect on the Enlarged Group's unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows.

5. The adjustment represents expenditures incurred directly in connection with the Transaction including financial advisor fees, legal fees, printing costs, accountants' fees, and other related expenses to be borne by the Group of approximately HK$3,581,000 (approximately RMB2,825,000). The adjustment has no continuing effect to the Enlarged Group but will be reflected in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group in the year these expenses are actually incurred.

6. Apart from the above, no adjustments have been made to the unaudited pro forma consolidated statement of financial position, to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 September 2013 for the Group and 31 December 2013 for UHL Group where applicable and unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 March 2013 for the Group and 31 December 2013 for the UHL Group where applicable.

(B) INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

TO THE DIRECTORS OF NGAI LIK INDUSTRIAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Ngai Lik Industrial Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 30 September 2013, the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2013, the pro forma consolidated statement of cash flows for the year ended 31 March 2013 and related notes as set out on pages III-3 to III-10 of the circular issued by the Company dated 15 April 2014 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages III-1 to III-2 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed very substantial acquisition and connected transaction in relation to the acquisition of Union Honor Limited involving the issue of consideration shares on the Group's financial position as at 30 September 2013 and its financial performance and cash flows for the year ended 31 March 2013 as if the event or transaction had taken place at 30 September 2013 or 1 April 2012, respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2013, on which no audit or review report has been published and the Group's financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2013, on which an audit report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to

Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2013 or 1 April 2012 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
15 April 2014

The following is the text of a letter, summary of valuation and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 January 2014 of the property interests held by UHL Group.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901 9/F On Hong Commercial Building
No.145 Hennessy Road Wanchai HK
香港灣仔軒尼詩道145號安康商業大廈9樓901室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

15 April 2014

The Board of Directors
Ngai Lik Industrial Holdings Limited

Dear Sirs,

Re: Valuation of property interests situated in the People's Republic of China

In accordance with the instructions from **Ngai Lik Industrial Holdings Limited** (referred to as the "Company") to value the property interests (referred to as the "properties") held by Union Honor Limited and its subsidiaries (referred to as "UHL") or its subsidiaries (UHL and its subsidiaries are altogether referred to as "UHL Group") situated in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the properties as at **31 January 2014** (the "date of valuation").

BASIS OF VALUATION

Our valuation of the properties represents the market value which is defined by the International Valuation Standard and followed by the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION METHODOLOGY

The properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

Due to the nature of the buildings and structures erected thereon, the properties numbered 1 to 3 have been valued on the basis of depreciated replacement cost (DRC). The assessment of the DRC requires an estimate of the market value of the land in existing use and an estimate of the new replacement (reproduction) cost of the buildings and structures and other site works as at the date of valuation, from which deductions are then made to allow for age, condition, functional obsolescence, etc. In valuing the market value of the land portions of the properties, the comparison method has been adopted.

We have ascribed no commercial value to the properties numbered 4 to 6 on the ground that UHL Group has not yet obtained the land use rights of those properties.

ASSUMPTIONS

Save for those properties in which UHL Group has no commercial value, our valuation has been made on the assumption that owners sell the properties on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the properties.

For those properties held by the owners by means of long term land use rights granted by the Government, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the respective land use rights. We have also assumed that they can be freely transferred on the market free from any land premium or expenses of substantial amount payable to the Government.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

TITLESHIP

We have been provided with copies of legal documents regarding the properties. However, we have not verified ownership of the properties and the existence of any encumbrances that would affect ownership of them.

We have also relied upon the legal opinion provided by the PRC legal adviser, namely Guangda Law Firm (廣東廣大律師事務所) to UHL Group on the relevant laws and regulations in the PRC, on the nature of land use rights and UHL Group's interests in the properties.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Our valuation have been made on the assumption that the seller sells the property on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the properties.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The properties were inspected in between 30 December 2012 to 10 January 2013 by Mr. Liu Ho Chi, who is a member of the Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors. However, no structural survey has been made. In the course of our inspection, we did not note any serious defects. We are unable to report whether the buildings and structures of the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services of the buildings and structures of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificate are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited
Sandra Lau
MHKIS AAPI RPS (GP)
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

Property	Market value in existing state as at 31 January 2014 *RMB*	Interest attributable to UHL Group as at 31 January 2014 *%*	Value of property interest attributable to UHL Group as at 31 January 2014 *RMB*
Property interests held and occupied by UHL Group			
1. Land, buildings and structure located in 6 and 7 Zu, Yanba Village, Nanwai Town, Da County, Dazhou City, Sichuan Province, the PRC.	82,900,000	69%	57,201,000
2. Land and buildings located in Xiaoqingwan Village, Nalinhe Town, Erdos City, Inner Mongolia Autonomous Region, the PRC.	47,700,000	69%	32,913,000
3. LNG Storage Station located in Southern side of Changcheng Road and Western side of Nanjing Road, Heze City, Shangdong Province, the PRC.	17,320,000	51%	8,833,200
4. LNG Distribution Station located in Wine Industrial Park, Rongchangba Production Park, Renhuai City, Guizhou Province, the PRC.	No commercial value	50%	No commercial value
Grand-total:	**147,920,000**		**98,947,200**

Note: UHL Group's property interests in the properties numbered 4 has no commercial value because UHL Group has not yet completed land grant procedures to secure land use rights of those properties.

VALUATION CERTIFICATE

Group I — Property held and occupied by UHL Group

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2014 *RMB*
1. Land, buildings and structure located in 6 and 7 Zu, Yanba Village, Nanwai Town, Da County, Dazhou City, Sichuan Province, the PRC. (四川省達州市達縣南外鎮堰壩村6、7組之土地建築物及構築物)	The property comprises three parcels of industrial land with a total site area of approximately 93,868.00 square metres on which various blocks of single to four-storey buildings and ancillary structures are erected. The buildings include a three-storey office building, a single-storey service workshop/warehouse, a four-storey dormitory building, a single-storey transformer substation, a single-storey compressed air station and a single-storey control room with a total gross floor area of approximately 6,455.19 square metres. The ancillary structures mainly include inspection wells, road, sewage treatment plant, boundary fences, guard room and gates. The above buildings and ancillary structures were completed in between 2007 and 2010. The land use rights of the property have been granted for a term expiring on 5 December 2056 for industrial use.	The property is currently occupied by UHL Group as a LNG processing plant.	82,900,000 (69% interest attributable to UHL Group: 57,201,000

Notes:

1. Pursuant to a State-owned Land Use Rights Contract (Ref: Da Guo Rang (He) Zi (2006) Di No. 00651 (達國讓(合)字(2006)第00651號)) dated 5 December 2006, the land use rights of the property with a site area of 98,000 square metres were granted by the Da County Land Resources Administration Bureau (達縣國土資源局) to Dazhou Huixin Energy Co., Ltd. (達州市匯鑫能源有限公司), a 69%-owned subsidiary of UHL Group, for industrial use at a land premium of RMB16,905,000 which has been settled in full by Dazhou Huixin Energy Co., Ltd..

2. As revealed by a Construction Land Use Permit (建設用地批准書) (Ref: (2006) Zi Di No. 28) issued by the Da County Land Resources Administration Bureau on 6 December 2006, the proposed development of natural gas project on the subject site with an area of 98,000 square metres was approved.

3. As revealed from a State-owned Land Use Rights Certificate (Ref: Da Guo Yong (2006) Di No. 05803 (達國用(2006)第05803號)) dated 11 December 2006, the land use rights of a portion of the subject land with an area of 26,112.6 square metres are held by Dazhou Huixin Energy Co., Ltd. (達州市匯鑫能源有限公司) for a land use right term expiring on 5 December 2056 for industrial use.

4. As revealed from another State-owned Land Use Rights Certificate (Ref: Da Guo Yong (2006) Di No. 05804 (達國用(2006)第05804號)) dated 11 December 2006, the land use rights of another portion of the subject land with an area of 33,018.10 square metres are held by Dazhou Huixin Energy Co., Ltd. for a land use right term expiring on 5 December 2056 for industrial use.

5. As revealed from another State-owned Land Use Rights Certificate (Ref: Da Guo Yong (2006) Di No. 05805 (達國用(2006)第05805號)) dated 11 December 2006, the land use rights of the remaining portion of the subject land with an area of 34,737.3 square metres are held by Dazhou Huixin Energy Co., Ltd. for a land use right term expiring on 5 December 2056 for industrial use.

6. We have valued the property based on the site area of 93,868 square metres based on the 3 State-owned Land Use Rights Certificates issued to the property.

7. As revealed by a Planning Permit of Construction Work (建設工程規劃許可證) (Ref No. (2007)-41) issued by the Dazhou Town Planning and Construction Bureau (達州市規劃和建設局) on 22 November 2007, the development of the natural gas project has been approved.

8. As revealed by a Planning Permit of Construction Work (建設工程規劃許可證) (Ref No. (2007)-16) issued by the Dazhou Town Planning and Construction Bureau (達州市規劃和建設局) on 15 June 2007, the development of the 3-storey office building of the property with a gross floor area of approximately 2,059.5 square metres has been approved.

9. As revealed by a Construction Works Commencement Permits (建築工程施工許可證) (Ref: 513001200708170101) issued by the Dazhou Town Planning and Construction Bureau (達州市規劃和建設局) on 17 August 2007, the carrying out of construction work for the office building of the property with a gross floor area of 2,059.5 square metres has been approved.

10. As revealed by a Planning Permit of Construction Work (建設工程規劃許可證) (Ref No. (2009)-34) issued by the Dazhou Town Planning and Construction Bureau (達州市規劃和建設局) on 25 August 2009, the development of a 4-storey dormitory building of the property with a gross floor area of approximately 2,418 square metres has been approved.

11. As revealed by a Construction Works Commencement Permits (建築工程施工許可證) (Ref: 513001200801110101) issued by the Dazhou Town Planning and Construction Bureau (達州市規劃和建設局) on 11 May 2010, the carrying out of construction work for the 4-storey dormitory building of the property has been approved.

12. A Building Ownership Certificate (Ref: Da Fang Quan Zheng Nan Wai Zi Di No. A041281 (達房權證南外字第A041281號)) dated 10 July 2009 was issued in the name of Dazhou Huixin Energy Co., Ltd. in connection with the 3-storey office building of the property with a gross floor area of 1,984.59 square metres.

13. In accordance with the information provided by UHL Group, the status of title and grant of major approvals and licences are as follows:

State-owned Land Use Rights Certificate	:	Yes
Construction Land Use Permit	:	Yes
Planning Permit of Construction Work	:	Yes
Construction Works Commencement Permits	:	Yes
Building Ownership Certificate	:	Yes (For the three-storey office building)

14. The opinion from the PRC legal adviser of the Company on the property is as follows:

    i. The Da County Land Resources Administration Bureau and Dazhou Huixin Energy Co., Ltd. entered into the State-owned Land Use Rights Contract and Supplemental State-owned Land Use Right Contract (Ref: Da Guo Rang (He) Zi (2006) Di No. 00651 (達國讓(合)字(2006)第00651號)) on 5 December 2006, the Da County Land Resources Administration Bureau granted the land use rights of the subject land parcel with an area of 98,000 square metres to Dazhou Huixin Energy Co., Ltd. for a land use right term of 50 years for industrial use at a land premium of RMB16,905,000.

    ii. Dazhou Huixin Energy Co., Ltd. has settled in full the land premium of RMB16,905,000 and the deed tax of RMB676,200.

    iii. On 6 December 2006, Dazhou Huixin Energy Co., Ltd. obtained a Construction Land Use Permit (建設用地批准書) (Ref: (2006) Zi Di No. 28) issued by the Da County Land Resources Administration Bureau, the land is proposed for a natural gas project with an area of 98,000 and construction period was from December 2006 to December 2007.

    iv. On 8 December 2006, Dazhou Huixin Energy Co., Ltd. obtained the State-owned Land Use Right Certificate (國有土地使用證) (Ref: Da Guo Yong (2006) Di No. 05798) issued by the Da County Land Resources Administration Bureau. The land is for industrial purpose with area of 93,868 sq.m. expiring on 5 December 2056.

    v. The land parcel is divided into 3 Land Use Right Certificates on 11 December 2006 and Dazhou Huixin Energy Co., Ltd. obtained 3 sets of Land Use Right Certificates (Ref: Da Guo Yong (2006) Di Nos. 05803. 05804 and 05805) with areas of 26,112.6 square meters, 33,018.1 square meters and 34,737.3 square meters respectively expiring on 5 December 2056;

    vi. Pursuant the Land Use Right Certificates (Ref: Da Guo Yong (2006) Di No. 05805), there is two mortgage registration records. The first mortgage in favour of China Construction Bank Corporation Dazhou Branch and the land area with an area of 34,737.3 square meters is subject to the mortgage for a term of 1 year (commencing from 13 June 2008 to 13 June 2009). The mortgage was discharged on 17 June 2009. The second mortgage is in favour of Da County Rural Credit Corporation and the land area of 34,737.3 square meters is subject to mortgage for a term of 1 year (commencing from 24 December 2009 to 24 December 2010). The mortgage was discharged on 23 March 2013.

    vii. As revealed by a Planning Permit of Construction Work (建設工程規劃許可證) (Ref No. (2007)-41) issued by the Dazhou Town Planning and Construction Bureau (達州市規劃和建設局) on 22 November 2007, the development of the natural gas project has been approved.

    viii. As revealed by a Construction Works Commencement Permits (建築工程施工許可證) (Ref: 513001200801110101) issued by the Dazhou Town Planning and Construction Bureau (達州市規劃和建設局) on 11 January 2008, the carrying out of construction work for the nature gas utilization project product area foundation of the property has been approved.

    ix. As revealed by a Planning Permit of Construction Work (建設工程規劃許可證) (Ref No. (2007)-16) issued by the Dazhou Town Planning and Construction Bureau (達州市規劃和建設局) on 15 June 2007, the development of the 3-storey office building of the property with a gross floor area of approximately 2,059.5 square metres has been approved.

    x. As revealed by a Construction Works Commencement Permits (建築工程施工許可證) (Ref: 513001200708170101) issued by the Dazhou Town Planning and Construction Bureau (達州市規劃和建設局) on 17 August 2007, the carrying out of construction work for the office building of the property with a gross floor area of 2,059.5 square metres has been approved.

xi. As revealed by a Planning Permit of Construction Work (建設工程規劃許可證) (Ref No. (2009)-34) issued by the Dazhou Town Planning and Construction Bureau (達州市規劃和建設局) on 25 August 2009, the development of a 4-storey dormitory building of the property with a gross floor area of approximately 2,418 square metres has been approved.

xii. As revealed by a Construction Works Commencement Permits (建築工程施工許可證) (Ref: 513001200801110101) issued by the Dazhou Town Planning and Construction Bureau (達州市規劃和建設局) on 11 May 2010, the carrying out of construction work for the 4-storey dormitory building of the property has been approved.

xiii. On 10 July 2009, Dazhou Huixin Energy Co., Ltd. obtained a Building Ownership Certificate (Ref: Da Fang Quan Zheng Nan Wai Zi Di No. A041281 (達房權證南外字第A041281號)) issued by the Da County Property Administration Bureau with a gross floor area of 1,984.59 square metres for office use.

xiv. On 20 May 2013, Dazhou Huixin Energy Co., Ltd. and Ping An Bank Co,. Ltd, Guangzhou Jiangnan Branch (平安銀行股份有限公司廣州江南支行) entered into a Maximum Mortgage Guarantee Contract (Ref: Ping Yin Hui Jiang Nan E Di Zi 20130428 Di No.001-1 (平銀穗江南額抵字20130428第001-1號)) for all liabilities including principle, interest, compounding, penalty and cost under the aforesaid contract for a maximum principle of RMB700,000,000.

xv. Pursuant to a Property Right Registration Database (產權登記庫) issued by Dazhou City Dachuan District Housing Management Bureau dated 19 September 2013, the office building of the property with a gross floor area of 1,984.59 square metres is subject to a mortgage in favour of Ping An Bank Co,. Ltd, Guangzhou Jiangnan Branch;

xvi. Pursuant to an instruction issued by Dazhou Huixin Energy Co., Ltd., the building (Ref: Da Fang Quan Zheng Nan Wai Zi Di No. A041281) and the land parcels (Ref: Da Guo Yong (2006) Di Nos. 05803. 05804 and 05805) is subject to a mortgage in favour of Ping An Bank Co,. Ltd, Guangzhou Jiangnan Branch;

xvii. Pursuant to the title registration from the relevant land authority, Dazhou Huixin Energy Co., Ltd. is the sole owner of State-owned Land Use Right Certificate (Ref: Da Guo Yong (2006) Di No. 05798) and the subdivisions of the aforesaid State-owned Land Use Right Certificate (Ref: Da Guo Yong (2006) Di No. 05798) known as the State-owned Land Use Right Certificates (Ref: Da Guo Yong (2006) Di Nos. 05803. 05804 and 05805). The land is not subject to other mortgage, easement and other encumbrances, enclosure, subject to tenancy and other defect which may infringe the title and under investigation or litigation by the authority;

xviii. According to the Building Ownership Certificate (Ref: Da Fang Quan Zheng Nan Wai Zi Di No. A041281) obtained by Dazhou Huixin Energy Co., Ltd., Dazhou Huixin Energy Co., Ltd. is the sole owner of property under the Building Ownership Certificate. The building is not subject to other mortgage, easement and other encumbrances, enclosure, subject to tenancy and other defect which may infringe the title and under investigation or litigation by the authority;

15. As confirmed by the Company, the Property does not violate any environmental regulations. The Company does not have any plan to dispose of or change of the use of the Property in the foreseeable future.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2014 *RMB*
2. Land and buildings located in Xiaoqingwan Village, Nalinhe Town, Erdos City, Inner Mongolia Autonomous Region, the PRC. (內蒙古自治區鄂爾多斯市納林河鎮小清灣村天然氣儲配站)	The property comprises a parcel of land with a site area of approximately 132,800.13 square metres on which which various blocks of single to four-storey buildings are erected. The buildings include an office building, a composite building, activity centre, dormitory building, boiler room, fire service room, pump room, cooling tower room, compressed air room, warehouse, control centre, distribution room, guard rooms and other ancillary buildings with a total gross floor area of approximately 10,559.5 square metres. The above buildings and ancillary structures were completed in between 2007 and 2011. The land use rights of the property have been granted for a term expiring on 3 June 2030 for industrial use.	The property is currently occupied by UHL Group as a LNG processing plant.	47,700,000 (69% interest attributable to UHL Group: 32,913,000

Notes:

1. Pursuant to a State-owned Land Use Rights Contract (Ref No. 073) dated 3 June 2005, the land use rights of the property with a site area of 132,800.13 square metres were granted by the Uxin Banner Land Resources Administration Bureau (烏審旗國土資源局) to Erdos Xingxing Energy Co., Ltd. (鄂爾多斯市星星能源有限公司), a 69% owned subsidiary of UHL Group, for industrial use. Erdos Xingxing Energy Co., Ltd. has paid a land premium of RMB1,328,000.

2. Pursuant to a State-owned Land Use Rights Certificate (Ref: Wu Zheng Guo Yong (2015) Di Nos. 502-129 (烏政國用(2005)第502–129號)) dated 2 June 2005, the land use rights in the subject land with an area of 132,800.13 square metres are held by Erdos Xingxing Energy Co., Ltd. for a land use right term expiring on 3 June 2030 for industrial use.

3. Pursuant to a Construction Land Use Planning Permit (建設用地規劃許可證) (Ref: (2005)03) issued by the Uxin Banner Construction Bureau (烏審旗建設局) in July 2005, the proposed development of LNG project on the site with an area of 132,800.13 square metres was approved.

4. Pursuant to a Planning Permit of Construction Work (建設工程規劃許可證) (Ref: (2005)03) issued by the Uxin Banner Construction Bureau (烏審旗建設局) in July 2005, the construction of the office building and the dormitory building of the property with a total gross floor area of approximately 3,608.92 square metres has been approved. Subsequently, a Construction Works Commencement Permits (建築工程施工許可證) (Ref: 152727200509060101) was issued by the same bureau to Erdos Xingxing Energy Co., Ltd. on 25 November 2005 approving the commencement of the construction work for the 2 subject buildings.

5. In accordance with the information provided by UHL Group, the status of title and grant of major approvals and licences are as follows:

State-owned Land Use Rights Certificate	:	Yes
Construction Land Use Permit	:	Yes
Planning Permit of Construction Work	:	Yes
Construction Works Commencement Permits	:	Yes
Building Ownership Certificate	:	No

6. The opinion from the PRC legal adviser of the Company on the property is as follows:

i. The Uxin Banner Land Resources Administration Bureau and Erdos City Xingxing Energy Co., Ltd. entered into the State-owned Land Use Rights Contract (Ref No. 073) on 3 June 2005 by virtue of which the Uxin Banner Land Resources Administration Bureau granted the land use rights of the subject land parcel with an area of 132,800.13 square metres to Erdos City Xingxing Energy Co., Ltd. for a land use right term of 25 years for industrial use. Erdos City Xingxing Energy Co., Ltd. has paid a land premium of RMB1,328,000;

ii. On 2 June 2005, the Uxin Banner Land Resources Administration Bureau issued to Erdos City Xingxing Energy Co., Ltd. a State-owned Land Use Right Certificate (Ref: Wu Zheng Guo Yong (2005) Di Nos. 502-129 (烏政國用(2005)第502-129號)). As revealed from the Land Use Right Certificates, the land use rights holder of the subject land parcel is Erdos City Xingxing Energy Co., Ltd.. The subject land parcel has an area of 132,800.13 square metres and is permitted for industrial use with a land use right term expiring on 3 June 2030;

iii. Pursuant to a Construction Land Use Planning Permit (建設用地規劃許可證) (Ref: (2005)03) issued by the Uxin Banner Construction Bureau (烏審旗建設局) in July 2005, the 20-ton LNG project (20萬噸液化天然氣建設項目) with an area of 132,800.13 square metres will be erected thereon.

iv. Pursuant to a Construction Work Planning Permit (建設工程規劃許可證) (Ref: (2005)03) issued by the Uxin Banner Construction Bureau (烏審旗建設局) in July 2005, the 20-ton LNG project (20萬噸液化天然氣建設項目) with an area of 132,800.13 square metres will be erected thereon.

v. Pursuant to a Construction Works Commencement Permit (建築工程施工許可證) (Ref: (152727200509060101) issued by the Uxin Banner Construction Bureau (烏審旗建設局) in 25 November 2005, the office building and the dormitory building of the property with a total gross floor area of approximately 3,608 square metres have obtained approval.

vi. The State-owned Land Use Right Certificate (Ref: Wu Zheng Guo Yong (2005) Di Nos. 502-129) is subject to a mortgage in favour of Ping An Bank Guang-zhou Jiangnan Branch. Other than the aforesaid mortgage, the property is not subject to other mortgage guarantee, easement and other encumbrances, enclosure, litigation, illegal situation, subject to tenancy and other defect which may infringe the title.

vii. On 20 May 2013, Dazhou Huixin Energy Co., Ltd. and Ping An Bank Co,. Ltd, Guangzhou Jiangnan Branch (平安銀行股份有限公司廣州江南支行) entered into a Maximum Mortgage Guarantee Contract (Ref: Ping Yin Hui Jiang Nan E Di Zi 20130428 Di No.001-2 (平銀穗江南額抵字20130428第001-2號)) by virtue of which the land parcel (Ref: 烏政國用(2005)第502-129號) the plant and machinery within the factory is subject to a mortgage for all liabilities including principle, interest, compounding, penalty and cost under the aforesaid contract for a maximum principle of RMB700,000,000.

viii. Pursuant to a Certification (證明) issued by Uxin Banner Land Resources Administration Bureau dated 6 November 2013, the office building of the land parcel (Ref: 烏政國用(2005)第502-129號) is subject to a mortgage in favour of Ping An Bank Co,. Ltd, Guangzhou Jiangnan Branch on 6 June 2013;

ix. Erdos Xingxing Energy Co., Ltd. has completed the construction and submitted the relevant information to authority to apply the Building Ownership Certificate. The certificate will be issued before end of February 2014. Erdos Xingxing Energy Co., Ltd. should not have any legal impediment to apply the Building Ownership Certificate.

x. Erdos Xingxing Energy Co., Ltd. is the sole owner of the land and has the right to occupy, use, entitle the income and execute the land. Other than the aforesaid mortgage, the land is not subject to other mortgage, easement and other encumbrances, enclosure, subject to tenancy and other defect which may infringe the title. The property does not have any litigation and investigation by relevant authority.

xi. Pursuant the Property Law (物權法), Heze Lujie Gas Co., Ltd. is the sole owner of the land and has the right to occupy, use, enjoy the benefit and dispose the building erected thereon despite the property has not been issued the building ownership certificate. The building is not subject to any mortgage, easement and other encumbrance, disclosure, tenancy and other title defects, litigation and investigation by relevant authority and other illegal situation. The application of the building ownership certificate is not subject to any legal impediment.

7. As confirmed by the Company, the Property does not violate any environmental regulations. The Company does not have any plan to dispose of or change of the use of the Property in the foreseeable future.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2014 *RMB*
3. LNG Storage Station located in Southern side of Changcheng Road and Western side of Nanjing Road, Heze City, Shangdong Province, the PRC. (山東省菏澤市長城路南側、南京路西側天然氣儲配站)	The property comprises a parcel of land with a site area of approximately 6,399.30 square metres on which various LNG storage tanks, a gas station and ancillary structures are erected. The land use rights of the property have been granted for a term expiring on 31 October 2052 for commercial and service uses.	The property is currently occupied by UHL Group as a LNG station.	17,320,000 (51% interest attributable to UHL Group: 8,833,200

Notes:

1. Pursuant to a State-owned Construction Land Use Rights Contract dated 27 September 2012, the land use rights of the property with a site area of 6,399.30 square metres were granted by the Heze City Land Resources Administration Bureau (菏澤市國土資源局) to Heze Lujie Gas Co., Ltd. (菏澤綠潔燃氣有限公司), a 51% owned subsidiary of UHL Group, for other commercial and service use (其他商服用地) at a land premium of RMB15,358,320. As confirmed by the Company, the land premium has been fully settled by Heze Lujie Gas Co., Ltd..

2. As revealed from a State-owned Land Use Rights Certificate (Ref: He Guo Yong (2012) Di No. 15115 (荷國用(2012)第15115號)) dated 9 November 2012, the land use rights in the subject land with an area of 6,399.3 square metres are held by Heze Lujie Gas Co., Ltd. for a land use right term expiring on 31 October 2052 for commercial and service uses (商服用地).

3. As revealed by a Construction Land Use Planning Permit (建設用地規劃許可證) (Ref: Di Zi Di No. 1700201200021 (地字第1700201200021號)) dated 19 December 2012, the proposed development on the site with an area of 3,839.58 was approved. The land use of the property is planned for gas station (加油加氣站).

4. As revealed by a Planning Permit of Construction Work (建設工程規劃許可證) (Ref: Jian Zi Di No. 37 170020130002 (Bu Ban) (建字第37170020130002(補辦)號)) dated 16 January 2013, construction of a gas station on the subject land parcel with a gross floor area of approximately 476 square metres has been approved.

5. In accordance with the information provided by UHL Group, the status of title and grant of major approvals and licences are as follows:

State-owned Land Use Rights Certificate	:	Yes
Construction Land Use Permit	:	Yes
Planning Permit of Construction Work	:	Yes
Construction Works Commencement Permits	:	No
Building Ownership Certificate	:	No

6. The opinion from the PRC legal adviser of the Company on the property is as follows:

   i. The Heze City Land Resources Administration Bureau and Heze Lujie Gas Co., Ltd. entered into the State-owned Construction Land Use Rights Contract on 27 September 2012, by virtue of which the subject land parcel is located at north to Heze Transportation Group Corporation, east to natural road, south to Changcheng Road and west to Nanjing Road with an area of 6,399.30 square metres for a land use right term of 40 years for Other Commercial Use at a land premium of RMB15,358,320.

   ii. Heze Lujie Gas Co., Ltd. has settled in full to Heze Land Reserve Centre (菏澤市土地儲備中心) the land premium of RMB15,358,320 along with the associate deed tax of RMB460,749.50 on 31 July 2012, 5 September 2012, 20 September 2012 and 8 October 2012 respectively.

   iii. On 9 November 2012, the Heze Municipal Government issued to Heze Lujie Gas Co., Ltd. a State-owned Land Use Right Certificate (Ref: He Guo Yong (2012) Di No. 15115 (荷國用(2012)第15115號)). As revealed from the Land Use Right Certificates, the subject land parcel has an area of 6,399.3 square metres and is permitted for commercial use with a land use right term expiring on 31 October 2052;

   iv. As revealed from a register certification issued by Heze City Land Resources Administration Bureau on 23 September 2013, the aforesaid Land Use Right Certificate is not subject to any easement or mortgage registration.

   v. The Heze Urban Planning Bureau (菏澤市規劃局) issued to Heze Lujie Gas Co., Ltd. a Planning Permit of Construction Land (建設用地規劃許可證) (Ref Di Zi Di No. 371700201200021 (地字第37 1700201200021號)) on 19 December 2012, by virtue of which petrol and gas station is named as the land use project and the nature of land is designated for transportation facilities (petrol and gas station use) with an area of 6,399.3 square metres and a development scale of 3,839.58 square metres.

   vi. Pursuant an Administrative Penalty Letter of the illegal structure (關於菏澤綠潔燃氣有限責任公司違法建設行政處罰決定書) (He Gui Xing Chu Zi (2013) Di No.001 (菏規行處字(2013)第001號)) dated 11 January 2013 issued by Heze Urban Planning Bureau, a penalty of RMB19,040 was imposed for the construction of the shed and ancillary structure on the land without application of Construction Works commencement Permit. The penalty was settled on 14 January 2013 and no further penalties will be imposed on the subject issue.

   vii. The Heze Urban Planning Bureau (菏澤市規劃局) issued to Heze Lujie Gas Co., Ltd. a Planning Permit of Construction Land (建設用地規劃許可證) (Ref Di Zi Di No. 37170020120002 (Supplement) (地字第37 170020120002(補辦)號)) on 16 January 2013, by virtue of which petrol and gas station and its ancillaries is named as the land use project with a development scale of 300 square metres for petrol and gas station and 176 square metres for ancillaries.

   viii. Pursuant Work Completion Examination Report (工程竣工驗收報告) dated 19 June 2013, Heze Lujie Gas Co., Ltd. has completed all the relevant documents for the preparation of the application of work completion examination.

ix. As revealed from an instruction provided by Heze Lujie Gas Co., Ltd. on 10 January 2014, the aforesaid Land Use Right Certificate is not subject to any easement, mortgage or other encumbrance, disclosure, tenancy and other title defects, litigation and investigation by relevant authority and other illegal situation. Heze Lujie Gas Co., Ltd. is preparing to apply the Building Ownership Certificate.

x. Heze Lujie Gas Co., Ltd. is the sole legal owner of the land use rights of the land and has right to occupy, use, enjoy the benefit and dispose the land parcel. As at the date of legal opinion, the land parcel is not subject to any mortgage, easement and other encumbrance, disclosure, tenancy and other title defects, litigation and investigation by relevant authority and other illegal situation.

xi. Pursuant the Property Law (物權法), Heze Lujie Gas Co., Ltd. is the sole owner of the property and has the right to occupy, use, enjoy the benefit and dispose the building erected thereon despite the property has not been issued the building ownership certificate. The building is not subject to any mortgage, easement and other encumbrance, disclosure, tenancy and other title defects, litigation and investigation by relevant authority and other illegal situation. The application of the building ownership certificate is not subject to any legal impediment.

7. As confirmed by the Company, the Property does not violate any environmental regulations. The Company does not have any plan to dispose of or change of the use of the Property in the foreseeable future.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2014 *RMB*
4. LNG Distribution Station located in Wine Industrial Park, Rongchangba Production Park, Renhuai City, Guizhou Province, the PRC. (貴州省仁懷市名酒工業園榮昌壩生產園區天然氣輸配站)	The property comprises a parcel of land with a site area of approximately 21,055.85 square metres on which a 3-storey building and various structures are erected. As advised by the Company, the gross floor area of the building is approximately 752 square metres. The buildings include a three-storey office building, a single-storey service workshop/ warehouse, a four-storey dormitory buildings, a single-storey transformer substation, a single-storey compressed air station, a single-storey control room with a total gross floor area of approximately 6,455.19 square metres. The ancillary structures erected on the property mainly include LNG storage tanks, road, boundary fences and gate. The above building and ancillary structures were completed in 2012.	The property is currently occupied by UHL Group as a LNG station.	No commercial Value

Notes:

1. As revealed from a document named Comment on the Selected Project Location (建設項目選址意見書) (Ref: Xuan Zi Di No. 520000200907670 (選字第520000200907670號)) issued by the Renhuai Housing, Town and Rural Construction Bureau (仁懷市住房和城鄉建設局) to Guizhou Huaheng Energy Investment Co., Ltd. (貴州華亨能源投資有限公司), a 50% owned subsidiary of UHL Group, on 12 July 2011, a site located in the Rongchangba Production Zone of Renhuai Wine Industrial Park (仁懷名酒工業園榮昌壩生產區) with a land area of 21,055 square metres was selected for the development of a LNG storage and distribution station.

2. As revealed from a document named Opinion on Preliminary Evaluation of Land Parcel for Rongchangba LNG Storage and Distribution Station (關於榮昌壩LNG生產區儲配站項目用地預審意見, Ref: Ren Guo Tu Zi Fa [2011] No. 49 (仁國土資發[2011]49號)) issued by the Renhuai Land Resources Administration Bureau (仁懷市國土資源局) on 16 August 2011, Guizhou Huaheng Energy Investment Co., Ltd. was allowed to construct a LNG storage and distribution station on the subject land parcel with an area of 21,055.85 square metres.

3. As revealed from a document named Acceptance on the Environmental Impact Assessment Report (關於榮昌壩LNG生產區儲配站項目用地預審意見, Ref: Re Huan Pi Fu [2011] No. 44 (仁環批復[2011]44號)) issued by the Renhuai Environmental Protection Bureau (仁懷市環境保護局) on 25 September 2011, the bureau principally accepted the conclusion and recommendation mentioned in the Environmental Impact Assessment Report and approved the construction of the Rongchangba LNG Storage and Distribution Station with a land area of 21,055.85 square metres, a gross floor area of 980.6 square metres, a greenery area of 3,212.05 square metres and a total capital investment of RMB69,780,000.

4. As revealed by a Construction Land Use Planning Permit (建設用地規劃許可證) (Ref: Di Zi Di No. 520000201203933 (地字第520000201203933號)) issued by the Renhuai Housing, Town and Rural Construction Bureau on 8 June 2012, the permitted land use of the property is for gas purpose (燃氣用地). The site area is about 21,055.85 square metres and construction scale is about 752 square metres.

5. As revealed by a Planning Permit of Construction Work (建設工程規劃許可證) (Ref: Jian Zi Di No. 520000201203340 (建字第520000201203340號)) issued by the Renhuai Housing, Town and Rural Construction Bureau on 15 November 2012, the development of the property with a gross floor area of approximately 752 square metres has been approved.

6. In accordance with the information provided by UHL Group, the status of title and grant of major approvals and licences are as follows:

State-owned Land Use Rights Certificate	:	No
Building Ownership Certificate	:	No
Construction Land Use Planning Permit	:	Yes
Planning Permit of Construction Work	:	Yes
Construction Works Commencement Permits	:	No

7. The opinion from the PRC legal adviser of the Company on the property is as follows:

   i. On 12 July 2011, the Renhuai Housing, Town and Rural Construction Bureau issued to Guizhou Huaheng Energy Investment Co., Ltd. a Comment on the Selected Project Location (建設項目選址意見書) (Ref: Xuan Zi Di No. 520000200907670 (選字第520000200907670號)). As revealed from the document, the subject land parcel is proposed to be developed into Renhuai Wine Industrial Park Rongchangba LNG Storage and Distribution Station. The project site has an area of 21,055 square metres and a development scale of 1,000 square metres;

   ii. The above development proposal was principally approved by the Renhuai Land Resources Administration Bureau via the Opinion on Preliminary Evaluation of Land Parcel for Rongchangba LNG Storage and Distribution Station (Ref Ren Guo Tu Zi Fa (2011) No. 49(仁國土資發[2011]49號)) dated 16 August 2011;

   iii. On 25 September 2011, the Renhuai Environmental Protection Bureau (仁懷市環境保護局) issued the Acceptance on the Environmental Impact Assessment Report (Ref Ren Huan Pi Fu (2011) No.44 (仁環批復[2011]44號)) to Guizhou Huaheng Energy Investment Co., Ltd. and principally accepted the conclusion and recommendation mentioned in the Environmental Impact Assessment Report and approved the construction of the Rongchangba LNG Storage and Distribution Station with a land area of 21,055.85 square metres, a gross floor area of 980.6 square metres, a greenery area of 3,212.05 square metres and a total capital investment of RMB69,780,000.

   iv. On 12 April 2012, the Guizhou Development and Reform Commission issued the Receipt Notice on Filing of Guizhou Infrastructure Development Investment Project (貴州省基本建設投資項目備案通知, Ref: Qian Fa Gai Bei An [2012] No. 572 (黔發改備案[2012]572號)) and approved the filing of the Renhuai Wine Industrial Park Rongchangba LNG Storage and Distribution Construction Project, with a total capital investment of RMB69,780,000 situated in Zhunyi City, Renhuai City, Sanhe Town (遵義市仁懷市三合鎮). The main components of the project include 12 LNG storage tanks (100 cubic metres each) and ancillary supporting facilities and the development period is spanning between 2012 and 2014;

   v. As revealed by a Construction Land Use Planning Permit (建設用地規劃許可證) (Ref: Di Zi Di No. 520000201203933 (地字第520000201203933號)) issued by the Renhuai Housing, Town and Rural Construction Bureau on 8 June 2012, the permitted land use of the property is for gas purpose (燃氣用地).

vi. As revealed by a Planning Permit of Construction Work (建設工程規劃許可證) (Ref: Jian Zi Di No. 520000201203340 (建字第520000201203340號)) issued by the Renhuai Housing, Town and Rural Construction Bureau on 15 November 2012, the development of the property with a gross floor area of approximately 752 square metres has been approved.

vii. According to the Written Confirmation issued by the Guizhou Renhuai Economic Development Zone Administration Committee on 28 March 2013, Guizhou Huaheng Energy Investment Co., Ltd. has paid a deposit of RMB3,158,000 for the subject land parcel, completed site clearance demolition and compensation and project construction works.

viii. According to the Written Confirmation issued by the Renhuai Land Resources Administration Bureau on 2 April 2013, the subject site has been planned for LNG Storage and Distribution Project and is being prepared for land grant application.

ix. Guizhou Huaheng Energy Investment Co., Ltd. has obtained Construction Land Use Planning Permit (建設工程規劃許可證), Planning Permit of Construction Work (建設用地規劃許可證), filed the project application to relevant authority and paid the land deposit. The procedure to obtain the Land Use Right Certificate, includes, the payment of the land premium and the deed tax and relevant cost and submit the application to Land Administrative Bureau to grant the Land Use Right Certificate. Guizhou Huaheng Energy Investment Co., Ltd. does not have any legal impediment to obtain the Land Use Right Certificate.

x. As advised by Guizhou Huaheng Energy Investment Co., Ltd., the approximate land premium is RMB3,200,000. The land premium and the deed tax and relevant cost are subject to the Land Use Right Contract.

xi. Guizhou Huaheng Energy Investment Co., Ltd. has obtained Construction Land Use Planning Permit (建設工程規劃許可證) and Planning Permit of Construction Work (建設用地規劃許可證), Guizhou Huaheng Energy Investment Co., Ltd. and is not illegal occupation or encroachment of the land.

xii. Guizhou Huaheng Energy Investment Co., Ltd. has not obtained property right in the buildings erected thereon. Guizhou Huaheng Energy Investment Co., Ltd. must obtain the Land Use Right Certificate (for industrial or composite use) first, then pass the work completion examination from relevant authority and apply to the relevant authority to obtain Building Ownership Certificate. Guizhou Huaheng Energy Investment Co., Ltd. does not have any legal impediment to obtain the Building Ownership Certificate.

xiii. The building was completed without the Construction Work Commencement Permits (工程施工許可證) and penalty may impose. As advised, the penalty is approximately in the range of RMB200,000 (approximately 1%–2% of the construction contract price).

8. As confirmed by the Company, the Property does not violate any environmental regulations. The Company does not have any plan to dispose of or change of the use of the Property in the foreseeable future.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after the issue and allotment the Consideration Shares are expected to be as follows:

As at the Latest Practicable Date

		HK$
Authorised share capital:		
10,000,000,000	Shares of HK$0.10 each	1,000,000,000.00
Issued and fully paid:		
1,019,592,858	Shares of HK$0.10 each	101,959,285.80

Immediately after the issue and allotment of the Consideration Shares

		HK$
Authorised share capital:		
10,000,000,000	Shares of HK$0.10 each	1,000,000,000.00
		HK$
Issued and fully paid:		
1,019,592,858	Shares as at Latest Practicable Date	101,959,285.80
4,283,209,057	Consideration Shares of HK$0.10 each to be issued and allotted	428,320,905.70
5,302,801,915	Shares immediately after the issue and allotment of the Consideration Shares	530,280,191.50

Each of the Shares in issue ranks pari passu with all other Shares in all respects including as to rights to dividends, voting and return of capital. The Consideration Shares will rank, upon issue and allotment, pari passu in all respects with the Shares in issue on the date of the allotment and issue of the Consideration Shares, and will be entitled to all dividends, bonuses and other distributions declared immediately after the date of the issue and allotment of the Consideration Shares.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given their opinion or advice which are contained in this circular:

Name	Qualification
Assets Appraisal Limited	Independent property valuer
Deloitte Touche Tohmatsu	Certified Public Accountants
Guangda Law Firm	legal advisers of UHL Group as to PRC laws
Investec Capital Asia Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, the above experts did not have:

(a) any direct or indirect interest in any assets which have been, since 31 March 2013 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group; and

(b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letters and the references to their names in the form and context in which they appear.

DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (b) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Directors' and chief executive's interests in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares held Long position	Short position	Aggregate percentage of interest as at the Latest Practicable Date
Wang Jianqing	Interest in controlled corporation	3,292,968,787 *(Notes 1 & 2)*	—	322.97% *(Note 3)*
Pan Junfeng	Interest in controlled corporation	636,504,351 *(Note 1)*	—	62.43%

Note 1: Mr. Wang Jianqing is deemed interested in, and duplicated, the 636,504,351 Shares which Frontier Global is interested. Frontier Global is wholly owned by Touch Billion Limited, which in turn is held as to 25% by Galaxy King Limited which is wholly owned by Mr. Zhou Jiawei and as to 75% by Champion Golden Limited, in which Mr. Wang has 50% of the voting right, Mr. Pan Junfeng, an executive Director has 25% of the voting right; and Mr. Gao Xiong has 25% of the voting right.

Note 2: Mr. Wang is also deemed interested in, and duplicated, the 2,656,464,436 Consideration Shares through his wholly-owned company, Champion Ever (being one of the Vendor's Shareholders under the UHL SPA).

Note 3: The 322.97% is calculated on the issued share capital of the Company as at the Latest Practicable Date, being 1,019,592,858 Shares in issue.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or (b) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a director or chief executive of the Company) who had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of

Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

(a) Interests in the Shares

Name of Shareholders	**Capacity/ Nature of interest**	**Number of Shares held Long position**	**Short position**	**Percentage of total shareholding** *(Note 4)*
Cheng Xu	Family interest	3,292,968,787 *(Note 1)*	—	322.97%
Frontier Global	Beneficial owner	636,504,351 *(Note 2)*	—	62.43%
Touch Billion Limited	Interest in controlled corporation	636,504,351 *(Note 2)*	—	62.43%
Champion Golden Limited	Interest in controlled corporation	636,504,351 *(Note 2)*	—	62.43%
Champion Ever	Beneficial owner	2,656,464,436 *(Note 3)*	—	260.54%
Ever Express	Beneficial owner	330,450,571	—	32.41%

Note 1: Miss Cheng Xu is the spouse of Mr. Wang Jianqing. Therefore, Miss Cheng is deemed to be interested in, and duplicated, these 3,292,968,787 Shares Mr. Wang Jianqing is interested in.

Note 2: Frontier Global is wholly owned by Touch Billion Limited, which in turn is held as to 75% by Champion Golden Limited, in which Mr. Wang has 50% of the voting right and Mr. Pan Junfeng, an executive Director has 25% of the voting right. Touch Billion Limited and Champion Golden Limited are deemed to be interested in, and duplicated, the 636,504,351 Shares held by Frontier Global.

Note 3: Champion Ever is deemed interested in the 2,656,464,436 Consideration Shares under the UHL SPA.

Note 4: The percentage of total shareholding, is calculated on the issued share capital of the Company as at the Latest Practicable Date, being 1,019,592,858 Shares in issue.

(b) Interests in other members of the Group (including UHL Group upon Completion)

Name of company	Name of shareholder	Interests in relevant share capital/registered capital	Percentage of the total issued share capital (or equivalent)
達州市滙鑫能源有限公司 (Dazhou Huixin Energy Co., Ltd.*)	吳樂先 (Wu Lexian*)	Registered capital RMB21,700,000	31%
鄂爾多斯市星星能源有限公司 (Erdos Xingxing Energy Co., Ltd.*)	吳樂先 (Wu Lexian*)	Registered capital RMB37,200,000	31%
貴州華亨能源投資有限公司 (Guizhou Huaheng Energy Investments Co., Ltd*)	貴州燃氣(集團)有限責任公司 (Guizhou Gas (Group) Co., Ltd*)	Registered capital RMB15,000,000	50%
菏澤綠潔燃氣有限責任公司 (Heze Lujie Gas Co., Ltd.*)	菏澤交通集團總公司 (Heze Transportation Group Co., Ltd.*)	Registered capital RMB11,400,000	38%
	山東宏智交通投資開發有限公司 (Shangdong Hongzhi Transportation Development Co., Ltd.*)	Registered capital RMB3,300,000	11%

Save as disclosed above, the Directors and chief executive of the Company are not aware of any other persons (other than a director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries have been engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

Save as disclosed under the section headed "Business of UHL Group-Legal proceedings and compliances" in this circular, as at the Latest Practicable Date, neither UHL nor any of its subsidiaries have been engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against UHL or any of its subsidiaries.

* *English transliteration/translation of Chinese name for identification purpose only*

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with the Company or any members of the Enlarged Group other than contracts expiring or determinable by the relevant member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Save for the Acquisition in which Mr. Wang and Mr. Bao, who is proposed to be appointed as an executive Director upon Completion are interested, none of the Directors had any interest, either direct or indirect, in any assets which had been, since 31 March 2013 (being the date to which the latest published audited accounts were made up) and up to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

As at the Latest Practicable Date, save for (i) the UHL SPA in which Mr. Wang and Mr. Bao are interested; and (ii) a maximum amount guarantee up to RMB700,000,000 dated 20 May 2013 executed by Mr. Wang in favour of a local PRC bank to guarantee the repayment of the amount drawn by Yuanheng Gas from that local PRC bank under a credit line contract up to RMB700,000,000 dated 20 May 2013 entered into between Yuanheng Gas and that local PRC bank for a term of 2 years (where the Company has confirmed that no counter-guarantee or counter-indemnity has been executed in favour of Mr. Wang), none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business of the Enlarged Group, were entered into by the Enlarged Group within two years immediately preceding the date of this circular which are or may be material:

(i) the acquisition agreement dated 10 August 2012 entered into between Sichuan Guanghui Property Limited Company (四川廣匯置業有限公司) and Yuanheng Gas which Sichuan Guanghui Property Limited Company (四川廣匯置業有限公司) agreed to sell, and Yuanheng Gas agreed to purchase, 39% equity interest in Erdos Xingxing for a consideration of RMB46,800,000, the transaction contemplated therein was approved by the relevant PRC governmental authority and completed on 14 August 2012;

(ii) the acquisition agreement dated 23 January 2013 entered into between Sichuan Guanghui Property Limited Company (四川廣匯置業有限公司) and Yuanheng Gas which Sichuan Guanghui Property Limited Company (四川廣匯置業有限公司) agreed to sell, and Yuanheng Gas agreed to purchase, 39% equity interest in

Dazhou Huixin for a consideration of RMB27,300,000, the transaction contemplated therein was approved by the relevant PRC governmental authority completed on 1 February 2013;

(iii) a maximum amount guarantee up to RMB700,000,000 dated 20 May 2013 executed by Mr. Wang in favour of a local PRC bank to guarantee the repayment of the amount drawn by Yuanheng Gas from that local PRC bank under a credit line contract up to RMB700,000,000 dated 20 May 2013 entered into between Yuanheng Gas and that local PRC bank for a term of 2 years. As disclosed in the paragraph headed "Due diligence review on UHL Group", Yuanheng Gas intends to apply the proceeds of this credit line contract for (i) repayment of banking borrowings being fall due; (ii) construction of LNG storage facilities near Xi River; and (iii) providing working capital of UHL Group;

(iv) the capital increase agreement of Heze Lujie dated 4 June 2012, under which the registered capital of Heze Lujie would be increased from RMB10,000,000 to RMB30,000,000, where Yuanheng Gas agreed to contribute in cash RMB15,300,000, Heze Group agreed to contribute in cash RMB1,140,000 in addition to the RMB10,000,000 registered capital owned by it and Shangdong Hongzhi agreed to contribute in cash RMB3,300,000. As at the Latest Practicable Date, Heze Lujie was owned as to 51% by Yuanheng Gas, as to 38% by Heze Group and as to 11% by Shandong Hongzhi and its total registered capital was RMB30,000,000, which were fully paid up;

(v) the share transfer agreement of Yuanheng Gas dated 17 September 2012 entered into between Nantong Zhongye Petroleum and Chemical Company Limited (南通中燁石化有限公司) as transferor and YL International as transferee, under which Nantong Zhongye Petroleum and Chemical Company Limited (南通中燁石化有限公司) agreed to transfer to YL International 3.15% of its equity interest in Yuanheng Gas (being the entire equity interest owned by Nantong Zhongye Petroleum and Chemical Company Limited (南通中燁石化有限公司)) for a consideration of RMB6,331,500. The transaction contemplated therein was approved by the relevant PRC governmental authority on 18 December 2012 and completed on 8 January 2013;

(vi) the share transfer agreement of Yuanheng Gas dated 17 September 2012 entered into between Mr. He Dong (何東) as transferor and YL International as transferee, under which Mr. He Dong (何東) agreed to transfer to YL International 0.35% of his equity interest in Yuanheng Gas (being the entire equity interest owned by Mr. He Dong (何東)) for a consideration of RMB100,000. The transaction contemplated therein was approved by the relevant PRC governmental authority on 18 December 2012 and completed on 8 January 2013;

(vii) the UHL SPA; and

(viii) the Supplemental Agreement.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during 9:00 a.m. to 4:00 p.m. on any Business Day at the Company's principal place of business in Hong Kong at Room 4102, 41/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong for a period of 14 days from the date of this circular:

(a) the memorandum of association and Bye-laws of the Company;

(b) the memorandum and articles of association of UHL;

(c) the letter from the Board, the text of which is set out on pages 7 to 29 of this circular;

(d) the letters of consent referred to in the paragraph headed "Experts and consents" above;

(e) the material contracts referred to in the paragraph headed "Material contracts" above;

(f) the letter from the Independent Financial Adviser as set out in the section "Letter from Investec" in this circular;

(g) the accountant's report on UHL Group from Deloitte Touche Tohmatsu as set out in Appendix IIA to the circular;

(h) the accountant's report on Yuanheng Gas Group from Deloitte Touche Tohmatsu as set out in Appendix IIB to the circular;

(i) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(j) the valuation report from Asset Appraisal Limited in respect of the valuation of the property interests of UHL Group as set out in Appendix IV to this circular;

(k) the annual reports of the Company for each of the two financial years ended 31 March 2012 and 31 March 2013; and

(l) this circular.

GENERAL

(a) The company secretary of the Company is Mr. Wan Oi Ming Kevin. Mr. Wan holds a bachelor degree of Business Administration in Professional Accountancy from the Chinese University of Hong Kong. He is a Certified Public Accountant (Practising) in Hong Kong, a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

(b) In case of any inconsistency between the English and the Chinese translation of this circular, the English version shall prevail, except where English transliterations/translations of Chinese terms are stated to be provided for identification purposes only, in which case the Chinese terms shall prevail.

NGAI LIK INDUSTRIAL HOLDINGS LIMITED
(毅力工業集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Ngai Lik Industrial Holdings Limited (the "**Company**") will be held at Hong Kong General Chamber of Commerce, 22/F., United Centre, 95 Queensway, Hong Kong on 8 May 2014, at 9:45 a.m. for the purposes of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

THE ACQUISITION

1. As special business to consider and, if thought fit, pass with or without amendments, the following resolution as an **ordinary** resolution:

"**THAT**:

(a) the entering into, and the performance by the Company, of the transactions contemplated under the sale and purchase agreement dated 28 October 2013 (the "**UHL SPA**") and as supplemented by the supplemental agreement dated 17 March 2014 (the "**Supplemental Agreement**", a copy of the UHL SPA marked "**UHL SPA**" and a copy of the Supplemental Agreement marked "**Supplemental Agreement**" have been produced to the Meeting and signed by the Chairman of the Meeting for identification purpose) and entered into between Firmwill Investment Limited as purchaser (the "**Purchaser**"), an indirectly wholly-owned subsidiary of the Company, Ying Hui Limited as vendor (the "**Vendor**"), Champion Ever Limited, Forever Honor Holdings Limited, Michael Feng Group Limited, Hong Kong World Asia Investment Limited, Ultimate Gains Limited, Celestial Speed Limited, Profit Rise Holdings Limited, Weyoung Technology Co., Limited, Merifund Growth Capital, Excel Glory Investment Limited, Jin Pei Investments Limited, Ever Express Group Holdings Limited, August World Limited, Billion Central Limited, Kingyield Limited, Advance Yield Limited, Trophy City Limited and Sure August Limited collectively as the shareholders of Ying Hui Limited (the "**Vendor's Shareholders**") in relation to the acquisition of the entire issued share capital of Union Honor Limited by the Purchaser at the maximum total consideration of HK$3,068,246,340 (the "**Consideration**") be and are hereby approved, ratified and confirmed,

* *For identification purposes only*

(b) the issue and allotment of up to 4,283,209,057 ordinary shares of HK$0.1 each in the share capital of the Company (the "**Consideration Shares**") at the issue price of HK$0.7 each to the Vendor's Shareholders credited as fully paid to satisfy part of the Consideration be and are hereby approved, confirmed and ratified; and

(c) the directors of the Company (the "**Directors**") be and are hereby authorised generally to do all such acts, deeds and things and to sign, execute and deliver all such documents (including the affixation of the common seal of the Company where required) as they may, in their absolute discretion, consider necessary, desirable or expedient to give effect, determine, revise, implement or complete any matters relating to or in connection with the UHL SPA, the Supplemental Agreement and the transactions contemplated thereunder, including, without limitation, the issue and allotment of the Consideration Shares."

CHANGE OF COMPANY'S NAME

2. As special business to consider and, if thought fit, pass with or without amendments, the following resolution as a **special** resolution:

"**THAT** subject to completion of the transactions contemplated under the UHL SPA and the Supplemental Agreement (as defined in the resolution numbered 1 in the notice convening the Meeting (the "**Notice**")) and the approval of the Registrar of Companies in Bermuda,

(i) the English name of the Company be changed from "Ngai Lik Industrial Holdings Limited" to "Yuan Heng Gas Holdings Limited" and "元亨燃氣控股有限公司" be adopted as the secondary name of the Company, and the name "毅力工業集團有限公司", which has been used for identification purposes only, shall cease to be used with effect from the date of entry of the new English name and the Chinese secondary name on the registry maintained by the Registrar of Companies in Bermuda;

(ii) the bye-laws of the Company be amended with effect from the date on which the change of name of the Company becomes effective by deleting the existing definition of "Company" in Bye-law 1 and inserting the following new definition:

"Company"	Yuan Heng Gas Holdings Limited (元亨燃氣控股有限公司), or such other name as may be approved by Members;"

(iii) the Directors and Company Secretary of the Company be and are hereby authorised to do all such acts, deeds, and things as they may, in their absolute discretion, consider necessary, desirable or expedient, to give effect and implement the change of name of the Company, including attending necessary registration and filing for and on behalf of the Company."

APPOINTMENT OF EXECUTIVE DIRECTOR

3. As special business to consider and, if thought fit, pass with or without amendments, the following resolution as an **ordinary** resolution:

   "**THAT** subject to completion of the transactions contemplated under the UHL SPA and the Supplemental Agreement (as defined in the resolution numbered 1 in the Notice),

   (i) the appointment of Mr. Bao Jun as an executive Director with effect from the completion of the transactions contemplated under the UHL SPA and the Supplemental Agreement be considered and approved;

   (ii) the board of Directors be authorized to fix his remuneration; and

   (iii) any Director be authorized to enter into the service contract or such other documents or supplemental agreements or deeds with him."

By Order of the Board
Ngai Lik Industrial Holdings Limited
Pan Junfeng
Executive Director

Hong Kong, 15 April 2014

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business:
Room 4102, 41/F
Far East Finance Centre
16 Harcourt Road
Hong Kong

Notes:

(1) Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him.

(2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

(3) In the case of joint holders of a share if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

(4) In order to be valid, the instrument appointing a proxy and (if required by the board of Directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or adjourned meeting. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(5) A member may appoint a proxy in respect of part only of his holding of shares in the Company. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual, or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(6) Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he so wish.

(7) Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll. Therefore, the Chairman of the Meeting will demand that all resolutions will be voted by way of poll at the Meeting.

(8) In order to qualify for attending and voting at the Meeting, all validly executed transfer documents accompanied by the relevant share certificates (and such other documents as may be required) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday ,7 May 2014. Only shareholders registered as a member of the Company at the close of business on Wednesday ,7 May 2014 shall be entitled to vote at the meeting or any adjournment thereof.

(9) The Chinese version of the notice is for reference only. Should there be any discrepancies, the English version will prevail.

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