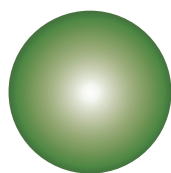


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元亨燃氣

YUANHENG GAS

YUAN HENG GAS HOLDINGS LIMITED

元亨燃氣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

The Board of Directors (“the Board”) of Yuan Heng Gas Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2015 (the “Period”), together with the comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended	
		30 September	
		2015	2014
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Turnover	3	2,750,035	4,353,178
Operating costs	4	(2,704,503)	(4,221,425)
Gross profit		45,532	131,753
Other income	5	51,578	7,260
Other gains and losses		(408)	496
Distribution and selling expenses		(3,844)	(18,158)
Administrative expenses		(56,105)	(40,391)
Share of results of associates		(2,915)	—
Finance costs		(17,802)	(33,587)
Profit before taxation	7	16,036	47,373
Income tax expense	8	(10,045)	(14,563)

		Six months ended	
		30 September	
		2015	2014
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Profit for the period		5,991	32,810
Other comprehensive income for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		334	(584)
		<u>6,325</u>	<u>32,226</u>
Total comprehensive income for the period			
Profit for the period attributable to:			
Owners of the Company		20,059	19,817
Non-controlling interests		(14,068)	12,993
		<u>5,991</u>	<u>32,810</u>
Total comprehensive income attributable to:			
Owner of the Company		20,393	19,233
Non-controlling interests		(14,068)	12,993
		<u>6,325</u>	<u>32,226</u>
Earnings per share (<i>RMB cents</i>)			
— Basic	10	<u>0.38</u>	<u>0.37</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2015 <i>RMB'000</i> (Unaudited)	As at 31 March 2015 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	13	859,922	882,441
Prepaid lease payments		39,353	40,033
Goodwill		56,740	56,740
Intangible asset		8,755	8,952
Interests in associates		64,282	30,462
Amount due from a non-controlling equity owner of subsidiaries		40,531	39,222
Long-term receivable		56,005	54,359
Deferred tax assets		4,775	1,301
Deposits for property, plant and equipment under finance lease		848	4,924
		1,131,211	1,118,434
CURRENT ASSETS			
Inventories		38,802	45,768
Trade and other receivables	11	1,596,886	1,017,628
Prepaid lease payments		1,362	1,362
Amount due from a non-controlling equity owner of a subsidiary		3,211	1,214
Amounts due from related parties		3,682	2,923
Tax recoverable		—	2,944
Short-term investments		5,000	19,500
Pledged bank deposits		346,150	383,405
Cash and cash equivalents		91,296	26,064
		2,086,389	1,500,808
CURRENT LIABILITIES			
Trade and other payables	12	1,913,555	1,101,324
Amount due to an associate		12,873	22,310
Amounts due to related parties		207	—
Amounts due to a shareholder		6,342	6,105
Tax payable		67,299	52,311
Bank and other borrowings due within one year	14	415,502	648,895
Obligations under finance leases		3,622	5,535
		2,419,400	1,836,480

		As at 30 September 2015 <i>RMB'000</i> (Unaudited)	As at 31 March 2015 <i>RMB'000</i> (Audited)
NET CURRENT LIABILITIES		(333,011)	(335,672)
TOTAL ASSETS LESS CURRENT LIABILITIES		798,200	782,762
CAPITAL AND RESERVES			
Share capital	15	443,282	443,282
Reserves		149,791	129,398
Equity attributable to owners of the Company		593,073	572,680
Non-controlling interests		121,434	141,802
TOTAL EQUITY		714,507	714,482
NON-CURRENT LIABILITIES			
Deferred tax liabilities		9,372	15,882
Bank and other borrowings due after one year	14	74,000	51,000
Obligations under finance leases		321	1,398
		83,693	68,280
		798,200	782,762

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Attributable to owners of the Company										
	Share capital	Share premium	Other capital	Other reserve	Statutory surplus reserve	Designated safety fund	Translation reserve	(Accumulated losses) retained earnings	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(note a)	(note b)	(note c)	(note d)					
At 1 April 2014 (restated)	102,767	160,816	376,870	(100,346)	12,255	3,538	2,860	(4,673)	554,087	130,508	684,595
Profit for the period	—	—	—	—	—	—	—	19,817	19,817	12,993	32,810
Other comprehensive income for the period	—	—	—	—	—	—	(584)	—	(584)	—	(584)
Total comprehensive income for the period	—	—	—	—	—	—	(584)	19,817	19,233	12,993	32,226
Issue of Consideration Shares	340,515	3,711,615	(376,870)	(3,675,260)	—	—	—	—	—	—	—
Dividend	—	—	—	—	—	—	—	—	—	(2,000)	(2,000)
Acquisition of non-controlling interests in a subsidiary	—	—	—	(600)	—	—	—	—	(600)	—	(600)
Transfer to statutory surplus reserve	—	—	—	—	2,862	—	—	(2,862)	—	—	—
Transfer to designated safety fund	—	—	—	—	—	4,915	—	(4,915)	—	—	—
At 30 September 2014 (unaudited)	<u>443,282</u>	<u>3,872,431</u>	<u>—</u>	<u>(3,776,206)</u>	<u>15,117</u>	<u>8,453</u>	<u>2,276</u>	<u>7,367</u>	<u>572,720</u>	<u>141,501</u>	<u>714,221</u>
At 1 April 2015 (audited)	<u>443,282</u>	<u>3,872,431</u>	<u>—</u>	<u>(3,775,606)</u>	<u>17,149</u>	<u>11,360</u>	<u>2,202</u>	<u>1,862</u>	<u>572,680</u>	<u>141,802</u>	<u>714,482</u>
Profit (loss) for the period	—	—	—	—	—	—	—	20,059	20,059	(14,068)	5,991
Other comprehensive income for the period	—	—	—	—	—	—	334	—	334	—	334
Total comprehensive income (expense) for the period	—	—	—	—	—	—	334	20,059	20,393	(14,068)	6,325
Dividend	—	—	—	—	—	—	—	—	—	(3,000)	(3,000)
Capital withdrawal from non-controlling interests	—	—	—	—	—	—	—	—	—	(3,300)	(3,300)
Transfer to statutory surplus reserve	—	—	—	—	228	—	—	(228)	—	—	—
Transfer to designated safety fund	—	—	—	—	—	7,642	—	(7,642)	—	—	—
At 30 September 2015 (unaudited)	<u>443,282</u>	<u>3,872,431</u>	<u>—</u>	<u>(3,775,606)</u>	<u>17,377</u>	<u>19,002</u>	<u>2,536</u>	<u>14,051</u>	<u>593,073</u>	<u>121,434</u>	<u>714,507</u>

Notes:

- (a) Other capital of RMB376,870,000 represents the capital of the target group, Union Honour Limited (“UHL”) before the completion of the acquisition of UHL as at 1 April 2014.
- (b) Other reserve of the Group mainly represents the financial impact of adopting merger accounting for the acquisition of UHL and its subsidiaries.
- (c) In accordance with the relevant laws and regulations of the People’s Republic of China (the “PRC”) and the Articles of Association of certain subsidiaries of the Company, they are required to provide for PRC statutory reserves, by way of appropriations from their respective statutory net profit (based on their PRC statutory financial statements) but before dividend distributions. They are required to transfer 10% of the profit after taxation to the statutory reserves. The appropriation to the statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the registered capital of the relevant companies. The statutory surplus reserve can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of a capitalisation issue. However, when converting the statutory surplus reserve into capital, the remaining balance of such reserve must not be less than 25% of the registered capital of the relevant companies.
- (d) Pursuant to the relevant PRC regulation, certain subsidiaries are required to transfer a certain percentage based on a progressive rate on revenue generated from manufacturing and transportation of gas or other dangerous chemical into a designated fund. The fund will be used for installation and repair and maintenance of safety facilities. The movement during the period represents the difference between the amounts provided based on the relevant PRC regulation and the amount utilised during the period.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2015 <i>RMB'000</i> (Unaudited)	2014 <i>RMB'000</i> (Unaudited)
Net cash generated from operating activities	<u>159,372</u>	<u>371,661</u>
Net cash generated from (used in) investing activities	<u>87,730</u>	<u>(17,436)</u>
Net cash used in financing activities	<u>(182,428)</u>	<u>(342,276)</u>
Net increase in cash and cash equivalents	64,674	11,949
Cash and cash equivalents at 1 April	26,064	321,890
Effect of foreign exchange rate changes, net	<u>558</u>	<u>—</u>
Cash and cash equivalents at 30 September	<u><u>91,296</u></u>	<u><u>333,839</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (the “HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Group reported a consolidated profit attributable to owners of the Company of approximately RMB20,059,000 for the six months ended 30 September 2015 (for the six months ended 30 September 2014: RMB19,817,000) and as at 30 September 2015 the Group had net current liabilities of approximately RMB333,011,000 (As at 31 March 2015: RMB335,672,000).

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements.

The accounting policies adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015, except for the first time of the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are relevant for the preparation of the Group’s condensed consolidated financial statements.

- Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*;
- Amendments to HKFRSs *Annual Improvements to HKFRSs 2010–2012 Cycle*; and
- Amendments to HKFRSs *Annual Improvements to HKFRSs 2011–2013 Cycle*.

The application of the above new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. TURNOVER

Six months ended
30 September
2015 2014
RMB'000 *RMB'000*
(Unaudited) **(Unaudited)**

The Group's turnover includes:

Gross proceeds from oil and gas sales contracts	<u>1,316,239</u>	<u>3,238,495</u>
Revenue from sales of goods		
— Wholesale of LNG	1,317,831	964,259
— Vehicle gas refuelling stations	7,631	13,884
— Sales of piped gas	100,101	114,867
Revenue from provision of services		
— LNG transportation	7,707	21,673
— Construction of gas pipeline infrastructure	<u>526</u>	<u>—</u>
	<u>2,750,035</u>	<u>4,353,178</u>

Note: The net income from oil and gas contracts for the period is RMB4,046,000 (six months ended 30 September 2014: RMB2,786,000) which is derived from the gross proceeds from oil and gas sales contracts of RMB1,316,239,000 (six months ended 30 September 2014: RMB3,238,495,000) minus the gross amounts of oil and gas purchase contracts of RMB1,312,193,000 (six months ended 30 September 2014: RMB3,235,709,000).

4. OPERATING COSTS

Six months ended
30 September
2015 2014
RMB'000 *RMB'000*
(Unaudited) **(Unaudited)**

The Group's operating costs includes:

Gross amount from oil and gas purchase contracts	1,312,193	3,235,709
Cost of sales of goods	1,379,009	843,124
Cost of provision of services	<u>13,301</u>	<u>142,592</u>
	<u>2,704,503</u>	<u>4,221,425</u>

5. OTHER INCOME

	Six months ended	
	30 September	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income from		
— banks	2,506	2,434
— a non-controlling equity owner of subsidiaries	1,309	1,309
— a former equity owner of subsidiaries	1,647	1,957
— other related parties	16,091	—
— third parties	17,187	—
	<hr/>	<hr/>
	38,740	5,700
Impairment loss reversed in respect of a receivable	11,930	—
Others	908	1,560
	<hr/>	<hr/>
	51,578	7,260
	<hr/> <hr/>	<hr/> <hr/>

6. SEGMENT INFORMATION

The 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 the Company, for the purposes of resource allocation and assessment of performance. The accounting policies of the reportable segments are the same as the Group's accounting policies. The Group's operating and reportable segments under HKFRS 8 Operating Segments are as follows:

Production and sales of Liquefied natural gas ("LNG")	Wholesale of LNG
Oil and gas transactions	Entering into oil and gas sales and purchase contracts and provision of consultancy services in relation to such contracts.
Other operations	Vehicle gas refuelling stations, sales of piped gas, LNG transportation, construction of gas pipeline infrastructure

Segments results

For the six months ended 30 September 2015

	Production and sales of LNG <i>RMB'000</i> (Unaudited)	Oil and gas transactions <i>RMB'000</i> (Unaudited)	Others operations <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment turnover from external customers	1,317,831	1,316,239	115,965	2,750,035
Inter-segment turnover	6,441	—	—	6,441
Segment turnover	<u>1,324,272</u>	<u>1,316,239</u>	<u>115,965</u>	2,756,476
Elimination				<u>(6,441)</u>
Total turnover				<u>2,750,035</u>
Segment results	<u>(10,818)</u>	<u>2,083</u>	<u>9,902</u>	1,167
Interest income				38,740
Share of result of associates				(2,915)
Finance costs				(17,802)
Unallocated corporate expenses				<u>(3,154)</u>
Profit before taxation				16,036
Income tax expense				<u>(10,045)</u>
Profit for the period				<u>5,991</u>

For the six months ended 30 September 2014

	Production and sales of LNG <i>RMB'000</i> (Unaudited)	Oil and gas transactions <i>RMB'000</i> (Unaudited)	Others operations <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment turnover from external customers	964,259	3,238,495	150,424	4,353,178
Inter-segment turnover	16,875	—	—	16,875
Segment turnover	<u>981,134</u>	<u>3,238,495</u>	<u>150,424</u>	4,370,053
Elimination				<u>(16,875)</u>
Total turnover				<u>4,353,178</u>
Segment results	<u>72,773</u>	<u>1,402</u>	<u>6,027</u>	80,202
Interest income				5,700
Finance costs				(33,587)
Unallocated corporate expenses				<u>(4,942)</u>
Profit before taxation				47,373
Income tax expense				<u>(14,563)</u>
Profit for the period				<u>32,810</u>

Segment assets and liabilities

Information of the operating segments of the 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.

Geographical segments

The following table provides an analysis of the Group's segment turnover by geographical location of customers irrespective of the origin of the goods delivered or services rendered and the Group's non-current assets by geographical location of the assets:

	Turnover							
	Production and sales of LNG		Oil and gas transactions		Other operations		Non-current assets*	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		As at 30 September	As at 31 March
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2015 <i>RMB'000</i>
The PRC, other than Hong Kong	1,317,831	964,259	60,657	—	115,965	150,424	1,029,046	1,023,237
Singapore	—	—	1,255,518	2,697,122	—	—	—	—
Hong Kong	—	—	64	541,373	—	—	854	315
	<u>1,317,831</u>	<u>964,259</u>	<u>1,316,239</u>	<u>3,238,495</u>	<u>115,965</u>	<u>150,424</u>	<u>1,029,900</u>	<u>1,023,552</u>

* Non-current assets exclude amount due from a non-controlling equity owner of subsidiaries, long-term receivable and deferred tax assets.

7. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	590	1,105
Amortisation of prepaid lease payments	1,431	3,514
Depreciation of property, plant and equipment	32,009	35,288
Directors' emoluments	1,732	1,174
Operating lease payment in respect of office premises	1,011	—
Salaries and other benefits	23,245	20,567
Retirement benefits contributions	3,298	4,300
	<u>26,543</u>	<u>24,867</u>
Losses on disposal of property, plant and equipment	(59)	—
Exchange (loss) gain	(349)	496
	<u>(408)</u>	<u>496</u>
Other (losses) gains	<u>(408)</u>	<u>496</u>

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
The charge comprises:		
Current taxation		
Hong Kong	152	48
PRC Enterprise Income Tax ("EIT")	18,392	10,311
	<u>18,544</u>	<u>10,359</u>
Deferred taxation		
Current year	(8,544)	4,204
Overprovision in prior years	45	—
	<u>(8,499)</u>	<u>4,204</u>
	<u>10,045</u>	<u>14,563</u>

Notes

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both interim periods.

PRC EIT has been provided at the applicable income tax rate of 25% on the assessable profits of the companies comprising the Group during the periods, except for certain subsidiaries of the Group, namely, 鄂爾多斯市星星能源有限公司 ("Xingxing Energy"), 達州市匯鑫能源有限公司 ("Huixin Energy") and 貴州華亨能源投資有限公司 ("Huaheng Energy") which are taxed at concessionary rate in both interim periods.

During certain period as discussed 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.

Xingxing Energy and Huixin Energy were registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2013 to 2020 and 2012 to 2020 respectively. Accordingly, Xingxing Energy and Huixin Energy are eligible for the EIT of 15% both interim periods.

Huaheng Energy was entitled to a 15% preferential rate since its establishment on 24 June 2011 with no definite period and subject to annual review and approval of local tax authority.

9. DIVIDEND

No dividend was paid, declared or proposed during both interim periods, nor has any dividend been proposed since the end of the reporting period.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 September 2015 is based on the profit attributable to owners of the Company of approximately RMB20,059,000 (for the six months ended 30 September 2014: approximately RMB19,817,000) and the weighted average number of 5,302,801,915 (as at 30 September 2014: 5,302,801,915) ordinary shares in issue during the period.

Diluted earnings per share are not presented as the Company does not have any potential ordinary shares during both interim periods.

11. TRADE AND OTHER RECEIVABLES

The Group generally requires prepayments made by customers before delivery of goods or provision of services, except for certain customers to which the Group allows an average credit period of 30 to 180 days. The Group also allow customers to settle the trade receivable before the end of credit period or to make prepayment to the Group by bills receivables.

Trade receivables arose from oil and gas sales contracts which are either settled by letter of credit or bills issued by banks with high credit-ratings assigned by international credit-rating agencies and are receivable with an average credit period ranging from seven days to six months after the date of delivery of commodity to customers or by telegraphic transfer.

Part of the trade and other receivables are interest-bearing.

The following is an aged analysis of these receivables presented, based on the invoice date, at the end of the reporting period.

	As at 30 September 2015 <i>RMB'000</i> (Unaudited)	As at 31 March 2015 <i>RMB'000</i> (Audited)
Current–30 days	665,277	55,578
31 days–180 days	365,007	450,961
>180 days	108,409	3,938
	<u>1,138,693</u>	<u>510,477</u>

12. TRADE AND OTHER PAYABLES

Trade payables arisen from oil and gas purchase contracts which are granted by suppliers with an average credit period ranging from seven days to six months after the bills of lading date of delivery, and trade payables arisen from production and sales of LNG which are granted by suppliers with an average credit period ranging from 30 days to 90 days after the bills of lading date of delivery.

Besides, certain suppliers will also require to have prepayments received before the supply of materials. The Group will arrange for certain of its prepayments or settlement of trade payable by bills payables.

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

	As at 30 September 2015 RMB'000 (Unaudited)	As at 31 March 2015 RMB'000 (Audited)
Within 90 days	1,104,749	315,504
91–180 days	1,402	9,418
181–365 days	757	711
Over 1 years	4,970	9,104
	<u>1,111,878</u>	<u>334,737</u>

13. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately RMB11,022,000 (for the six months ended 30 September 2014: approximately RMB12,365,000) on property, plant and equipment.

14. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank and other loans amounting to approximately RMB392 million (for the six months ended 30 September 2014: approximately RMB300 million). The loans carry interest at fixed/variable market rates of 2.5%–7.84% and are repayable in instalments over a period of one to five years. During the current interim period, the Group repaid bank and other loans amounting to approximately RMB608 million (for the six months ended 30 September 2014: approximately RMB406 million).

15. SHARE CAPITAL

	Number of shares '000 (Unaudited)	Share capital RMB'000 (Unaudited)
THE COMPANY		
Ordinary shares, issued and fully paid:		
At 1 April 2015 and 30 September 2015, shares of HK\$0.10 each	<u>5,302,802</u>	<u>443,282</u>

16. RELATED PARTIES TRANSACTIONS

During the six months ended 30 September 2015, the Group entered into the following transactions with related parties:

	Six months ended 30 September	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of oil and gas contract to related parties	<u>14,758</u>	<u>—</u>
Sales of LNG to related parties	<u>302,475</u>	<u>1,300</u>
Sales of LNG to an associate	<u>846</u>	<u>4,581</u>
Purchase of oil and gas contract from related parties	<u>14,694</u>	<u>—</u>
Purchase of LNG from related parties	<u>315,301</u>	<u>—</u>
Purchase of LNG from an associate	<u>75,729</u>	<u>—</u>
Services provided to a related party	<u>899</u>	<u>—</u>
Interest income from a related party	<u>16,091</u>	<u>—</u>
	As at	As at
	30 September	31 March
	2015	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Guarantee given by related parties in respect of bank borrowing and banking facilities granted to the Group		
— Mr. Wang	<u>700,000</u>	<u>700,000</u>

17. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subscription of shares

On 21 September 2015, the Company entered into three separate subscription agreements with the subscribers. Under the subscription agreement, a total of 380,833,333 subscription shares will be allotted and issued by the Company at the subscription price of HK\$0.60 per subscription share. The aggregate subscription price for all the subscription shares is approximately HK\$228.5 million. The subscription of 300,000,000 subscription shares completed on 5 October 2015 and 300,000,000 subscription shares were allotted and issued accordingly. The remaining two subscriptions of total 80,833,333 subscription shares completed on 12 October 2015 and 80,833,333 subscription shares were allotted and issued accordingly. Upon completion of the subscription agreements, the issued share capital of the Company is enlarged from 5,302,801,915 shares to 5,683,635,248 shares.

Issuance of convertible bond

On 21 September 2015, the Company and the subscriber entered into the convertible bond subscription agreement, pursuant to which the Company has conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for, the convertible bond in the aggregate principal amount of US\$10,000,000. The transaction completed on 22 October 2015 and the convertible bond was issued accordingly.

Termination of proposed acquisition

On 21 September 2015, the Company, the purchaser, the vendor and the guarantor entered into an acquisition agreement in relation to the acquisition of the entire equity interest in the target company and the shareholder loan at a consideration of US\$66,180,000. The acquisition agreement and the proposed acquisition were terminated with effect on 30 October 2015.

DIVIDEND

The Board of Directors have resolved not to declare an interim dividend for the six months ended 30 September 2015 (for the six months ended 30 September 2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

BUSINESS REVIEW

Group results

For the six months ended 30 September 2015 (the “Period”) and at present, the Group has been principally engaged in (i) trading of oil and gas products and the provision of related consultancy services; and (ii) processing, distribution, sales, trading and transportation of LNG and other auxiliary operations and networks in the PRC.

During the Period, the Group recorded an unaudited consolidated turnover of approximately RMB2,750 million (six months ended 30 September 2014: approximately RMB4,353 million) with profit after tax of approximately RMB6 million (six months ended 30 September 2014: approximately RMB33 million), mainly contributed by the production and sales of LNG and the trading of oil and gas business.

The Group’s financial results were adversely affected as compared to that for the corresponding period in 2014 is mainly due to supply side driven factor and challenging market conditions (as further elaborated under the sections headed “Production and sales of LNG” and “Oil and gas transactions”).

Notwithstanding, the management is exploring avenues in improving its profit margins, as well as seeking business opportunities to diversify the Group’s businesses and/or portfolio with a view to improve its overall financial and operational performance.

Production and sales of LNG

During the Period, the Group produced approximately 115,418,000 cubic meters of LNG, representing an decrease of approximately 140,393,000 cubic meters or 54.9% compared with the same period of last year. The turnover from the sales of LNG business for the Period was approximately RMB1,318 million, representing an increase of approximately RMB354 million or 36.7% compared with the same period of last year, contributing approximately 47.9% of the total turnover of the Group. Gross profit however, decreased by approximately RMB92 million to approximately RMB29 million (six months ended 30 September 2014: approximately RMB121 million), with gross profit margin fell from approximately 12.6% to approximately 2.2%.

The decrease in the production of LNG and squeeze in the gross profit margin was predominantly due to (1) the change of gas sources by upstream supplier resulting in repair of equipment which in turn led to the suspension for approximately 3 months in the processing of the LNG; (2) the continuous low LNG price and slowdown in China economy; and (3) significant downturn in the LNG consumption market and reduction in cost of imported LNG, which put pressure on sale prices of the LNG and resulted in lower sales revenue and lower profit margin from its processing plants. Notwithstanding, the management will continue to seek and implement measures to improve the Group’s profitability. In this regard, the Group has entered into a processing agreement with one of its suppliers, a large-scale state-owned oil company, for daily processing of up to 750,000 cubic meters LNG at an agreed processing fee.

Oil and gas transactions

During the Period, revenue arising from oil and gas transactions decreased to approximately RMB1,316 million from approximately RMB3,238 million, representing a decrease of approximately RMB1,922 million or 59.4% from the six month ended 30 September 2014. The decrease in revenue mainly due to persistently low global crude oil price. Gross profit however, increased slightly from approximately RMB2.8 million to approximately RMB4 million, with gross profit margin increased from approximately 0.086% to approximately 0.307%.

Given the volatility of the oil prices and the nature of the oil trading contracts, the management will continue to adopt cautionary steps while seeking for profitable trading opportunities.

Prospect

During the first half of the year, the Group's business was affected by adverse market conditions in the oil and gas industry as described in the previous sections. It is expected that, for the second half of the year, the global economy will remain on track of slow recovery, whilst the economy of China, the Group's major market, will enter into a "new normal" (新常態) state of moderate and sustainable economic growth leading to steady growth in demand for oil and gas in China. While oil and gas prices are expected to remain sluggish for the near term, with the Chinese Government implementing reforms in natural gas pricing, the Group expects that, based on assessment of policy directives currently being promulgated by relevant government authorities (e.g. the natural gas pricing notice issued by the Development and Reform Commission of the Inner Mongolia Autonomous Region (內蒙古自治區發展和改革委員會)), the market environment, in which the Group operates, may improve gradually.

The management is mindful of the market environment and will continue to adopt cautionary steps in and implementing various strategies to mitigate the adverse impact on the business arising from challenges as in this market condition. Looking forward, the Group will continue to develop its businesses in natural gas sector and to explore new business opportunities in order to create value for its shareholders.

FINANCIAL REVIEW

Turnover

The Group's turnover for the period ended 30 September 2015 was approximately RMB2,750 million (Six months ended 30 September 2014: approximately 4,353 million). The drop in turnover was mainly attributable to the decline in the oil trading business which reported a turnover of approximately RMB1,316 million during the Period (six months ended 30 September 2014: approximately RMB3,238 million).

Gross Profit

Gross profit for the period ended 30 September 2015 was approximately RMB46 million. The decrease in gross profit was primarily due to higher production cost for the production of LNG resulted from the 3 months suspension in processing of the LNG due to the change of gas sources by upstream supplier and fierce competition in the oil market. The Group's gross profit margin for the six months ended 30 September 2015 decreased from approximately 3% (six months ended 30 September 2014) to approximately 1.7% due to reasons outlined in previous sections.

Other Income

During the six months ended 30 September 2015, other income was approximately RMB52 million, which represents an increase of approximately RMB45 million from approximately RMB7 million of the corresponding period of 2014. The increase was mainly attributable to (i) the increase of approximately RMB33 million in interest income from other related parties and third parties and (ii) reversal of impairment loss in respect of a receivable of approximately RMB12 million.

Distribution and Selling Expenses

Distribution and selling expenses decreased from approximately RMB18 million for the period ended 30 September 2014 to approximately RMB4 million for the Period. The decrease in distribution and selling expenses were in line with the decrease in the revenue from the production and sales of LNG, and at the same time the Group try to minimize the distribution cost by shifting to customers.

Administrative Expenses

The Group's administrative expenses for the period ended 30 September 2015 amounted to approximately RMB56 million, representing an increase of approximately 38.9% as compared to the corresponding figures last period. The increase was due to the suspension of LNG production plant for approximately 3 months resulted from change of gas sources from upstream supplier. In this connection, part of the fixed production costs (i.e. labour salaries and depreciation etc.) were treated as administrative expenses in the suspension period.

Finance Costs

The Group incurred finance costs of approximately RMB18 million (six months ended 30 September 2014: approximately RMB34 million) during the Period, representing a decrease of approximately 47%. The decrease was mainly due to the repayment of bank loan during the Period.

Income Tax Expenses

The Group is subjected to taxes in Hong and PRC due to its business operations in these jurisdictions. Income tax expenses has decreased by approximately 31% to approximately RMB10 million (six months ended 30 September 2014: approximately RMB15 million) for the Period. The decrease was due to the decrease in profit before taxation.

Profit for the Period

As a result of the above, the Group recorded profit after tax for the Period for approximately RMB6 million (six months ended 30 September 2014: profit of approximately RMB32.8 million).

Working Capital Management

As at 30 September 2015, the Group maintained bank balances and cash of approximately RMB91 million (31 March 2015: approximately RMB26 million).

Liquidity, Financial Resources and Capital Structure

The net current liabilities of the Group as at 30 September 2015 were approximately RMB333 million (31 March 2015: approximately RMB336 million). The current ratio was approximately 0.86 (31 March 2015: approximately 0.82).

Notwithstanding the net current liabilities of the Group at 30 September 2015, the management are confident that the Group would have adequate funds to meet its obligation, as and when they fall due, having regard to the following:

- (i) the Group has an undrawn facility amounting to approximately RMB338 million;
- (ii) the Group has completed the share subscription and issuance of convertible bonds on October 2015 with consideration of approximately RMB187 million and RMB64 million respectively; and
- (iii) the Group expects to generate positive operating cash flows.

The Group will further improve its financial position in providing liquidity and cash flows by implementing a number of measures, including but not limited to, raising further medium to long term banking facilities and rolling over short term banking facilities to medium term when they fall due.

As at 30 September 2015, the Group had borrowings of approximately RMB416 million which are due within one year and approximately RMB74 million which are repayable after one year.

The gearing ratio, which is debt-to-equity ratio, of the Group was approximately 0.69 compared to approximately 0.98 as at 31 March 2015.

Capital Expenditure on Property, Plant and Equipment

Capital expenditure for purchase of property, plant and equipment amounted to approximately RMB11 million (six months ended 30 September 2014: approximately RMB12.3 million) for the Period.

Pledge of Assets

As at 30 September 2015, the Group pledged assets in aggregate amount of approximately RMB1,032million (31 March 2015: approximately RMB1,053 million) to banks for banking facilities.

Capital Commitments

As at 30 September 2015, the capital expenditure commitments in respect of acquisition of property, plant and equipment contracted for but not provided in the financial information was approximately RMB589,000.

Treasury Policy

The Group mainly operates in China with most of the transactions denominated and settled in RMB and US Dollar. The exposure of exchange fluctuation in respect of RMB and US Dollar could affect the Group's performance and asset value. However, there are no significant differences of the carrying amount of the monetary assets and liabilities which are denominated in US Dollar so the Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. The Group still monitors the overall currency exposures.

Employee Information

As at 30 September 2015, the Group had about 550 employees (31 March 2015: about 600). The remuneration packages are generally structured with reference to market conditions and the individual qualifications. Salaries and wages of the Group's employees are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices ("the CG Code") in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2015, except for the deviations discussed below.

Code provision A.2.1

Pursuant to A.2.1 of the Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Wang Jianqing ("Mr. Wang") is the chairman of the Company since 27 January 2011 and was appointed the CEO of the Company on 15 September 2011. He is responsible for managing the Board and the business of the Group.

The Board considers that Mr. Wang possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategies. Through the supervision of the Board and the audit committee, balance of power and authority can be ensured and there is no imminent need to change the arrangement.

Code provision F.1.2

Pursuant to F.1.2 of the Code, the appointment of the company secretary should be dealt with by a physical board meeting rather than a written resolution. The appointment of the current company secretary was dealt with by a written resolution in September 2013. The Board considers that, prior to the execution of the written resolution to appoint the current company secretary, all Directors were individually consulted on the matter without any dissenting opinion and there was no need to approve the matter by a physical board meeting instead of a written resolution.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee comprises three independent non-executive directors, namely Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie. The interim results of the Group for the six months ended 30 September 2015 have not been audited, but have been reviewed by the Audit Committee of the Company.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions (the "Code"). Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard set out in the Model Code throughout the period ended 30 September 2015.

DEALING IN COMPANY'S LISTED SECURITIES

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement of interim results is available for viewing on the website of Hong Kong Exchange and Clearings Limited at www.hkex.com.hk under "Latest Listed Company Information" and on the company website at www.yuanhenggas.com. The interim report of the Company containing all the information required by the Listing Rules will be published on the above websites in due course.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank each and every of the management, staff and employees for their dedication, loyalty and commitment in the past.

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

Hong Kong, 30 November 2015

As at the date of this announcement, the executive Directors are Mr. Wang Jianqing, Mr. Bao Jun and Mr. Zhou Jian; and the Independent non-executive Directors are Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie.