元亨燃氣
YUANHENG GAS

YUAN HENG GAS HOLDINGS LIMITED
元亨燃氣控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2016

RESULTS

The Board of Directors (the "Directors") of Yuan Heng Gas Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2016, together with the comparative figures, as follows:

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

For the year ended 31 March 2016

	NOTES	**2016** *RMB'000*	2015 *RMB'000*
Turnover	*4*	**6,841,169**	6,440,317
Operating costs		**(6,735,514)**	(6,250,090)
Gross profit		**105,655**	190,227
Other income	*5*	**46,579**	22,719
Other gains and losses	*6*	**(2,115)**	400
Distribution and selling expenses		**(10,357)**	(26,128)
Administrative expenses		**(101,621)**	(87,700)
Share of results of associates		**4,224**	462
Finance costs	*7*	**(48,451)**	(70,562)
(Loss) profit before tax		**(6,086)**	29,418
Income tax (expense) credit	*8*	**(13,935)**	3,127
(Loss) profit for the year	*9*	**(20,021)**	32,545
Other comprehensive income (expense) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**417**	(658)
Total comprehensive (expense) income for the year		**(19,604)**	31,887

	NOTE	2016 RMB'000	2015 RMB'000
Profit (loss) for the year attributable to:			
Owners of the Company		**9,676**	19,251
Non-controlling interests		**(29,697)**	13,294
		(20,021)	32,545
Total comprehensive income (expense) attributable to:			
Owners of the Company		**10,093**	18,593
Non-controlling interests		**(29,697)**	13,294
		(19,604)	31,887
Earnings per share (RMB cents)	*10*		
– Basic		**0.18**	0.36
– Diluted		**0.18**	N/A

II. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	NOTE	**2016** RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**837,086**	882,441
Prepaid lease payments		**38,671**	40,033
Goodwill		**56,740**	56,740
Intangible asset		**8,559**	8,952
Interests in associates		**111,421**	30,462
Long-term receivables		**60,806**	54,359
Amount due from a non-controlling equity owner of subsidiaries		**–**	39,222
Deferred tax assets		**4,818**	1,301
Deposits for property, plant and equipment under finance lease		**847**	4,924
		1,118,948	1,118,434
CURRENT ASSETS			
Inventories		**26,181**	45,768
Trade and other receivables	*11*	**1,554,880**	1,017,628
Prepaid lease payments		**1,362**	1,362
Long-term receivables due within one year		**27,006**	–
Amount due from a non-controlling equity owner of a subsidiary		**2,904**	1,214
Amounts due from related parties		**480**	2,923
Tax recoverable		**–**	2,944
Short-term investments		**–**	19,500
Pledged bank deposits		**289,915**	383,405
Cash and cash equivalents		**61,129**	26,064
		1,963,857	1,500,808

	NOTE	2016 RMB'000	2015 RMB'000
CURRENT LIABILITIES			
Trade and other payables	12	**1,871,261**	1,101,324
Amounts due to associates		**3,203**	22,310
Amount due to a shareholder		**–**	6,105
Amount due to a non-controlling equity owner of a subsidiary		**10,000**	–
Tax payable		**62,349**	52,311
Bank borrowings due within one year		**131,282**	648,895
Obligations under finance leases		**1,115**	5,535
		2,079,210	1,836,480
NET CURRENT LIABILITIES		**(115,353)**	(335,672)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,003,595**	782,762
CAPITAL AND RESERVES			
Share capital		**475,031**	443,282
Reserves		**298,237**	129,398
Equity attributable to owners of the Company		**773,268**	572,680
Non-controlling interests		**105,332**	141,802
TOTAL EQUITY		**878,600**	714,482
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**–**	15,882
Bank borrowings due after one year		**56,000**	51,000
Convertible bond		**56,054**	–
Embedded derivatives		**12,941**	–
Obligations under finance leases		**–**	1,398
		124,995	68,280
		1,003,595	782,762

III. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Yuan Heng Gas Holdings Limited (the "Company") is a public limited company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section in the annual report.

Upon the completion of the mandatory unconditional cash offer on 3 January 2011, Frontier Global Group Limited ("Frontier Global") which is ultimately controlled by Mr. Wang Jianqing ("Mr. Wang"), acquired 71.5% of the aggregate issued share capital of the Company, and Frontier Global and Champion Golden Limited then became the immediate holding company and ultimate holding company of the Company, respectively. Both Frontier Global and Champion Golden Limited are limited liability companies incorporated in the British Virgin Islands (the "BVI").

Upon the completion of the acquisition of a subsidiary and the issue of new shares on 16 May 2014 as set out in note 2 (the "Acquisition"), the immediate holding company and ultimate holding company of the Company were changed to Champion Ever Limited, which a limited liability company incorporated in the BVI and is wholly-owned by Mr. Wang.

The Company together with its subsidiaries (collectively referred to as the "Group") is principally engaged in the trading of oil and gas products (by entering into oil and gas sales and purchase contracts with a number of counterparties) and provision of related consultancy services. Starting from 16 May 2014, upon the completion of the Acquisition, the Group is also engaged in the production and sale of liquefied natural gas ("LNG"), operating vehicle gas refueling station, sales of piped gas, LNG transportation and construction of gas pipeline infrastructure.

Upon the completion of the Acquisition, the functional currency of the Company has changed from Hong Kong dollars ("HKD") to Renminbi ("RMB") as the primary economic environment of the Company changed to a PRC business environment. Following the change of functional currency of the Company, the Company changed the presentation currency of its consolidated financial statements from HKD to RMB. The directors of the Company are of the opinion that this could simplify the financial reporting process and it could provide users with more comparable information with other companies in similar industries.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Acquisition of Union Honor Limited ("UHL") and the adoption of merger accounting

On 28 October 2013, the Group entered into an agreement with Ying Hui Limited ("Vendor") and Vendor's shareholders, pursuant to which the Group conditionally agreed to acquire and the Vendor conditionally agreed to dispose of the sales shares, representing the entire issued share of UHL, a wholly-owned subsidiary of the Vendor, at the total consideration of HK$2,861,775,000. Both the Vendor and UHL are limited liability companies incorporated in the BVI.

Mr. Wang, the ultimate shareholder of the Company, has equity interest of 62.89% of the Vendor and has control over the Vendor. On 17 March 2014, the Group entered into a supplemental agreement ("Supplemental SPA") with the Vendor and the Vendor's shareholders pursuant to which the consideration of the Acquisition was revised to approximately HK$3,068,246,000. According to the Supplemental SPA, the total consideration of the Acquisition was satisfied by (i) cash consideration of HK$70,000,000 (equivalent to RMB55,595,000); (ii) HK$2,998,246,000 by procuring the Company to issue and allot to the Vendor's shareholders of a total 4,283,209,057 shares ("Consideration Shares") at an issue price of HK$0.70 per Consideration Share. During the year ended 31 March 2014, cash consideration of HK$70,000,000 (equivalent to RMB55,595,000) was paid, which was deemed to be a distribution to shareholders.

The Acquisition was approved by the shareholders of the Company in a special general meeting held on 8 May 2014 and was completed on 16 May 2014.

Mr. Wang obtained the control of the Company since the completion of mandatory unconditional cash offer on 3 January 2011 as stated in note 1, and on 11 January 2013, Mr. Wang obtained the control of the Vendor and UHL. As such, the Group and UHL are under common control of Mr. Wang. The Acquisition of UHL was reflected in the consolidated financial statements using the principle of merger accounting, taking into consideration of the requirements under Accounting Guideline 5 "Merger Accounting for Common Control Combinations", as if they had been combined from the date when the combining entities first came under control of Mr. Wang.

Going concerns

In preparing the consolidated financial statements, the directors of the Company have given careful considerations to the future liquidity of the Group in light of the fact that as at 31 March 2016, its current liabilities exceeded its current assets by approximately RMB115,353,000. Taking into account of (i) the internally generated funds, (ii) the available long-term loan facilities of RMB490,004,000 and RMB37,000,000 with maturity up to August 2018 and May 2022, respectively, pursuant to the relevant facilities documents, the directors of the Company are confident that the 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in current year:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[5]
Amendments to HKFRS 15	Clarification to HKFRS 15 Revenue from contracts with customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consideration Exceptions[3]
Amendments to HKAS 7	Disclosure Initiative[6]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[6]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after a date to be determined
5 Effective for annual periods beginning on or after 1 January 2019
6 Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on the amounts reported and disclosures made in the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except as described above, the directors of the Company do not anticipate that the application of the new or revised HKFRS, will have material impact on the amounts recognised in the Group's consolidated financial statements.

4. 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 LNG	Wholesale of LNG
Oil and gas transactions	Trading of oil and gas products (by entering into oil and gas sales and purchase contracts) and provision of related consultancy services
Other operations	Vehicle gas refuelling stations, sales of piped gas, LNG transportation and construction of gas pipeline infrastructure

Segment turnover and results

Year ended 31 March 2016

	Production and sales of LNG *RMB'000*	Oil and gas transactions *RMB'000*	Other operations *RMB'000*	Total *RMB'000*
Segment turnover from external customers	**986,009**	**5,656,698**	**198,462**	**6,841,169**
Intra-segment turnover	**225,760**	**–**	**–**	**225,760**
Segment turnover	**1,211,769**	**5,656,698**	**198,462**	**7,066,929**
Elimination				**(225,760)**
Total turnover				**6,841,169**
Segment results	**(61,889)**	**44,819**	**22,071**	**5,001**
Interest income				**45,248**
Share of results of associates				**4,224**
Finance costs				**(48,451)**
Unallocated corporate expenses				**(12,108)**
Loss before tax				**(6,086)**

Year ended 31 March 2015

	Production and sales of LNG *RMB'000*	Oil and gas transactions *RMB'000*	Other operations *RMB'000*	Total *RMB'000*
Segment turnover from external customers	1,339,685	4,820,390	280,242	6,440,317
Intra-segment turnover	486,543	–	–	486,543
Segment turnover	1,826,228	4,820,390	280,242	6,926,860
Elimination				(486,543)
Total turnover				6,440,317
Segment results	66,515	9,353	14,805	90,673
Interest income				20,092
Share of results of associates				462
Finance costs				(70,562)
Unallocated corporate expenses				(11,247)
Profit before tax				29,418

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.

Other segment information

Other segment information included in the measurement of segment results and segment assets are as follow:

	Production and sales of LNG	**Oil and gas transactions**	**Other operations**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 March 2016				
Additions to non-current assets	**1,720**	**621**	**18,621**	**20,962**
Depreciation of property, plant and equipment	**44,146**	**9,093**	**12,095**	**65,334**
Amortisation of intangible asset	**–**	**–**	**393**	**393**
Amortisation of prepaid lease payments	**1,121**	**126**	**115**	**1,362**
Loss (gain) on disposal of property, plant and equipment	**28**	**(6)**	**(92)**	**(70)**
For the year ended 31 March 2015				
Additions to non-current assets	16,368	–	45,562	61,930
Depreciation of property, plant and equipment	49,731	103	13,357	63,191
Amortisation of intangible asset	–	–	393	393
Amortisation of prepaid lease payments	1,131	–	272	1,403
Loss on disposal of property, plant and equipment	164	–	–	164

Geographical information

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*	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
The PRC, other than Hong Kong	**986,009**	1,339,685	**2,223,640**	333,069	**198,462**	280,242	**1,053,097**	1,023,237
Singapore	**–**	–	**2,614,313**	3,244,960	**–**	–	**–**	–
Hong Kong	**–**	–	**611,560**	906,516	**–**	–	**227**	315
Korea	**–**	–	**207,185**	335,845	**–**	–	**–**	–
	986,009	1,339,685	**5,656,698**	4,820,390	**198,462**	280,242	**1,053,324**	1,023,552

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

Information about major customers

Production and sales of LNG and Other operations

Turnover arose from customers represents more than 10% of the total segment turnover from production and sales of LNG and other operations are as follows:

	2016	2015
	RMB'000	*RMB'000*
Customer A	**225,264**	N/A*(note)*
Customer B	**165,211**	N/A*(note)*
Customer C	**121,719**	202,814
Customer D	**N/A*(note)***	222,906
Customer E	**N/A*(note)***	489,434
	512,194	915,154

Oil and gas transactions

Turnover arose from customers represents more than 10% of the total segment turnover from oil and gas transactions are as follows:

	2016	2015
	RMB'000	*RMB'000*
Customer F	**1,569,549**	2,920,220
Customer G	**1,523,192**	N/A*(note)*
Customer H	**725,963**	N/A*(note)*
Customer I	**723,570**	N/A*(note)*
Customer J	**N/A*(note)***	633,705
Customer K	**N/A*(note)***	540,147
	4,542,274	4,094,072

Note: The corresponding turnover did not contribute over 10% of the total segment turnover of the relevant segment.

5. OTHER INCOME

	2016	2015
	RMB'000	*RMB'000*
Interest income from		
– banks	**6,682**	11,241
– a non-controlling equity owner of subsidiaries	**2,618**	2,611
– long-term receivables	**3,947**	3,936
– advances to suppliers	**19,163**	–
– a related party	**12,838**	2,304
	45,248	20,092
Others	**1,331**	2,627
	46,579	22,719

6. OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	***RMB'000***
Gain (loss) on disposal of property, plant and equipment	**70**	(164)
Net foreign exchange gain	**178**	564
Loss on fair value change of embedded derivatives	**(2,363)**	–
	(2,115)	400

7. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**33,083**	70,147
Interest on convertible bond	**3,764**	–
Finance leases	**574**	1,337
Total interest charges	**37,421**	71,484
Less: Amount capitalised in construction in progress *(note)*	**1,054**	922
	36,367	70,562
Other finance costs	**12,084**	–
	48,451	70,562

Note: The borrowing costs have been capitalised at rate of 6.6% and 6.6% for the year ended 31 March 2016 and 2015, respectively.

8. INCOME TAX (EXPENSE) CREDIT

	2016	2015
	RMB'000	*RMB'000*
The (charge) credit comprises:		
Hong Kong Profits Tax		
– Current year	**(285)**	(155)
PRC Enterprise Income Tax ("EIT")		
– Current year	**(32,013)**	(10,823)
– (Under) over provision in prior years	**(1,036)**	13,176
	(33,049)	2,353
Deferred taxation		
– Current year	**19,399**	(2,418)
– Effect of change in tax rate	**–**	3,347
	19,399	929
	(13,935)	3,127

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

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 years, except for certain subsidiaries of the Group, namely 鄂爾多斯市星星能源有限公司 ("Xingxing Energy"), 達州市匯鑫能源有限公司 ("Huixin Energy") and 貴州華亨能源投資有限公司 ("Huaheng Energy") which are taxed at concessionary rate in certain years.

During certain years as set out below, the applicable PRC EIT concessionary rate for Xingxing Energy, Huixin Energy and Huaheng Energy is 15%, which are under the preferential tax treatment that given to companies established in the western regions in the PRC and derived at least 70% of their total income from their main business in oil and gas industry which falling within the list of encouraged industries specified by the PRC government.

Xingxing Energy was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2013 to 2020. Accordingly, Xingxing Energy is eligible for the EIT of 15% (2015: 15%).

Huixin Energy was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2012 to 2020. Accordingly, Huixin Energy is eligible for the EIT of 15% (2015: 15%).

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

The income tax (expense) credit for the years can be reconciled to the (loss) profit before tax per consolidated statements of profits or loss and other comprehensive income as follows:

	2016	2015
	RMB'000	*RMB'000*
(Loss) profit before tax	**(6,086)**	29,418
PRC EIT at 25%	**1,522**	(7,355)
Tax effects of share of profit of associates	**1,056**	116
Tax effects of expenses not deductible for tax purpose	**(5,900)**	(8,209)
Tax effects of income not taxable for tax purpose	**825**	200
(Under) overprovision of PRC EIT in prior years	**(1,036)**	13,176
Tax effects of tax losses not recognised	**(1,787)**	(2,989)
Effect of concessionary tax rates granted to certain PRC subsidiaries at 15%	**(10,540)**	4,989
Utilisation of tax losses or deductible temporary difference previously not recognised	**1,777**	–
Decrease in opening deferred tax liabilities resulting from a decrease in applicable tax rate	**–**	3,347
Effect of different tax rates of subsidiaries operating in other jurisdictions	**148**	(148)
Tax (charge) credit for the year	**(13,935)**	3,127

9. (LOSS) PROFIT FOR THE YEAR

	2016	2015
	RMB'000	*RMB'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Auditors' remuneration	**1,600**	2,129
Amortisation of intangible asset	**393**	393
Amortisation of prepaid lease payments	**1,362**	1,403
Cost of inventories recognised as an expense	**1,110,452**	1,397,167
Depreciation of property, plant and equipment	**65,334**	63,191
Directors' emoluments	**3,853**	3,265
Operating lease payment in respect of office premises	**2,787**	2,035
Salaries and other benefits	**50,003**	47,997
Retirement benefits contributions	**4,827**	4,829
Total staff costs (excluding directors' emoluments)	**54,830**	52,826
(Gain) loss on disposal of property, plant and equipment	**(70)**	164

10. EARNINGS PER SHARE

The weighted average number of shares used for the purpose of calculating basic earnings per share for the both years has been adjusted as if the Consideration Shares was issued at 1 April 2013, on the basis that the consolidated financial statements are prepared as if the UHL and its subsidiaries ("UHL Group") had been combined from the date when UHL Group first came under the control of the common controlling party of the Company and UHL Group.

The calculation of the basic earnings per share for the year is based on the profit attributable to equity holders of the Company of approximately RMB9,676,000 (2015: RMB19,251,000) and the weighted average number of 5,487,510,416 (2015: 5,302,801,915) ordinary shares in issue during the year.

The computation of diluted earnings per share for the year ended 31 March 2016 does not assume the conversion of the Company's outstanding convertible bond since their exercise would not result in a decrease in earnings per share.

Diluted earnings per share is not presented for the year ended 31 March 2015 as the Company did not have any potential ordinary share during that year.

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**938,608**	510,477
Bills receivables	**23,302**	6,747
Other receivables	**25,032**	20,892
Prepayments	**567,938**	479,512
	1,554,880	1,017,628

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 90 days. The Group also allow customers to settle the trade receivables before the end of credit period or to make prepayments to the Group by bills receivables.

Trade receivables arisen from oil and gas sales contracts which are settled either by 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.

Included in the trade receivables is an amount of RMB158,993,000 (2015: Nil) receivable from a company named 東莞虎門電廠, arisen from the oil and gas sales contracts. 東莞虎門電廠 is a subsidiary of 廣州元亨能源有限公司 (Guangzhou Circle Energy Company Limited) ("Circle Energy"), a company which Mr. Wang is a key management personnel. As at 31 March 2016, the Group has prepayments of Nil (2015: RMB217,000,000) to 東莞虎門電廠. The maximum amount outstanding during the year ended 31 March 2016 was RMB409,278,000 (2015: RMB217,000,000).

The following is an aged analysis of trade receivables presented based on the revenue recognition date:

	2016	2015
	RMB'000	*RMB'000*
Within 30 days	**187,208**	55,578
31 – 90 days	**2,435**	249,857
91 – 180 days	**733,548**	201,104
Over 180 days	**15,417**	3,938
	938,608	510,477

The following is an aged analysis of bills receivables based on the date of receipt of bills:

	2016	2015
	RMB'000	*RMB'000*
Within three months	**22,210**	6,747
Three months to six months	**1,092**	–
	23,302	6,747

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. The directors of the Company 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 Group's trade receivable balances are debtors with aggregate carrying amount of approximately RMB255,610,000 (2015: RMB197,873,000) which are past due at 31 March 2016, for which the Group has not provided for impairment loss as the management considered the amounts are still recoverable. The Group does not hold any collateral over these balances. The amount were fully settled as at this report date.

The ageing analysis of trade receivables which are past due but not impaired are as follows:

	2016	2015
	RMB'000	*RMB'000*
31 – 180 days	**240,193**	197,691
Over 180 days	**15,417**	182
	255,610	197,873

All trade receivables are assessed not to be impaired individually and they are further assessed for impairment on a collective basis. No impairment has been recognised on trade receivables during both years. The Group does not hold any collateral over these balances.

No impairment has been recognised on other receivables during both years. The directors of the Company are of the opinion that the other receivables are not impaired as the amounts mainly represent value-added tax recoverable and advances to staff which were fully utilised and settled respectively subsequent to the end of the reporting period.

Transfer of financial assets

The followings were the Group's financial assets as at the end of each reporting period that were transferred to banks or suppliers by discounting or endorsing those bills receivables on a full recourse basis. As the 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 or trade payables respectively. These financial assets are carried at amortised cost in the Group's consolidated statements of financial position.

Bills receivable discounted or endorsed

	2016	2015
	RMB'000	*RMB'000*
Carrying amount of bills receivables from		
– external customers	**23,302**	6,114
Carrying amount of trade and other payables	**(1,252)**	(6,114)
Carrying amount of bank borrowings	**(22,050)**	–

12. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**866,091**	334,737
Bills payables	**912,130**	605,700
Other payables	**30,407**	42,314
Other tax payables	**17,721**	10,840
Consideration payable	**16,735**	–
Receipts in advance	**16,220**	95,825
Compensation payable	**10,442**	10,442
Payroll payables	**1,515**	1,466
	1,871,261	1,101,324

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 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 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:

	2016	2015
	RMB'000	*RMB'000*
Within 90 days	**849,749**	315,504
91 – 180 days	**7,040**	9,418
181 – 365 days	**5,050**	711
Over 1 year	**4,252**	9,104
	866,091	334,737

The following is an aged analysis of bills payables based on the date of issue of bills:

	2016	2015
	RMB'000	*RMB'000*
Within three months	**655,490**	371,500
Three months to six months	**256,640**	234,200
	912,130	605,700

DIVIDEND

The Board of Directors did not recommend the payment of a final dividend for year ended 31 March 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FINANCIAL REVIEW

BUSINESS REVIEW

Group results

For the year ended 31 March 2016 and at present, the Group has been principally engaged in (i) trading of oil and gas products and the provision of related consultancy services; and (ii) processing, distribution, sales, trading and transportation of LNG and other auxiliary operations and networks in the PRC.

For the year ended 31 March 2016, the Group recorded consolidated turnover of approximately RMB6,841 million (2015: approximately RMB6,440 million) with loss after tax of approximately RMB20 million (2015: profit of approximately RMB33 million). The Group's performance for the year ended 31 March 2016 were contributed mainly 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 2015 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 year, the Group produced approximately 329,809,000 cubic meters of LNG, representing a decrease of approximately 141,206,000 cubic meters or 30% compared with the last year. The turnover from the sales of LNG business for the year ended 31 March 2016 was approximately RMB986 million representing an decrease of approximately RMB354 million or 26.4% compared with the last year, contributing approximately 14.4% of the total turnover of the Group. Gross profit however, decreased by approximately RMB141 million to approximately RMB18 million (2015: approximately RMB159 million), gross profit margin fell from approximately 11.9% to approximately 1.8%.

The decline in the production of LNG and the gross profit margin were mainly attributable to (1) the lower utilization of the Group's LNG processing plants due to unscheduled facilities maintenance resulted from change of gas sources by upstream supplier; and (2) lower gross profit margin due to stiff market competition against LNG, locally and internationally.

Notwithstanding the above, the management has (1) sought and explored the expansion of its LNG downstream distribution channel through proposed collaboration with industry player(s) and/or state-owned enterprises; and (2) sought to further expand collaboration with quality end users of natural gas, which is expected to make positive contribution to the business and operations of the Group.

Oil and gas transactions

During the year, the revenue arising from oil and gas transactions increased to approximately RMB5,657 million from approximately RMB4,820 million, representing an increase of approximately RMB837 million or 17.3% from the year ended 31 March 2015. Meanwhile, gross profit increased to approximately RMB60 million from approximately RMB9 million, with gross profit margin increased from approximately 0.18% to approximately 1.06%. As a result of management effort in cost savings and wider/expanded trading network. To strengthen the Group's trading business, the management is seeking to formulate strategic cooperation with globally-renowned oil and gas suppliers.

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

Prospect

During 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 year to come, 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 linger at low levels (as compared with the prices before the decline since mid-2014), research suggested that prices may have recovered from its trough earlier this year and reversed the downward trend. As China's 13th 5-Year Plan begins in 2016, the Chinese economy is expected to enter into a period of structural adjustment. Amongst the changes, the adjustment of energy consumption structure, and pollution control measures/ directives are expected to be the focus, driving the development of the natural gas industry. The Group expects that the reforms in the natural gas market (e.g. pricing) as well as the call for replacement of coal in non-power sectors with natural gas (as part of China's 13th Five-Year Plan (2016-2020)) would be conducive to the market environment, in which the Group operates.

The management is mindful of the market environment and will continue to adopt cautionary steps 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 year ended 31 March 2016 was approximately RMB6,841 million (2015: approximately RMB6,440 million). The increase in turnover was mainly attributable to the increase in revenue from oil and gas transactions which reported a turnover of approximately RMB5,657 million during the year ended 31 March 2016 (2015: approximately RMB4,820 million).

Gross Profit

Gross profit for the year ended 31 March 2016 was approximately RMB106 million (2015: approximately RMB190 million). The decrease in gross profit was primarily due to (1) higher production cost for the production of LNG resulted from lower utilization of the LNG processing plants due to unscheduled facilities maintenance by upstream supplier; and (2) stiff market competition against LNG locally and internationally. Accordingly, the Group's gross profit margin for the year ended 31 March 2016 decreased from approximately 3% (year ended 31 March 2015) to approximately 2%.

Distribution and Selling Expenses

Distribution and selling expenses decreased from approximately RMB26 million for the year ended 31 March 2015 to approximately RMB10 million for the year ended 31 March 2016. The decrease in distribution and selling expenses was in line with the Group's policy that to minimize the distribution cost by shifting to customers.

Administrative Expenses

The Group's administrative expenses for the year ended 31 March 2016 amounted to approximately RMB102 million (2015: approximately RMB88 million), representing an increase of approximately 15.9% as compared to the previous year. The increase was due to the suspension of LNG production plant resulted from change of gas sources from upstream supplier. In this connection, part of the fixed production costs (i.e. labour salaries and deprecation etc.) amounted to approximately RMB16 million were treated as administrative expenses in the suspension period.

Finance Costs

The Group incurred finance costs of approximately RMB48 million during the year ended 31 March 2016 (2015: approximately RMB71 million), representing a decrease of approximately 31.3%. The decrease was mainly due to the repayment of bank loan during the year and decrease in the bank interest rate.

Income Tax Expenses/Credit

The Group is subjected to taxes in Hong Kong and the PRC due to its business operations in these jurisdictions. For the year ended 31 March 2016, income tax expenses of the Group approximately RMB14 million (2015: tax credit of approximately RMB3 million). Notwithstanding the Group recorded loss after tax during the year ended 31 March 2016, the reversal from tax credit to tax expenses was due to one-off tax adjustment incurred in last year.

Liquidity, Financial Resources and Capital Structure

As at 31 March 2016, the Group maintained bank balances and cash of approximately RMB61 million (2015: approximately RMB26 million).

The net current liabilities of the Group as at 31 March 2016 were approximately RMB115 million representing a decrease of approximately RMB221 million compared with the last year (2015: approximately RMB336 million). The current ratio was approximately 0.94 (2015: approximately 0.82).

Notwithstanding the net current liabilities of the Group at 31 March 2016, 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 available long-term loan facilities of RMB490,004,000 and RMB37,000,000 with maturity up to August 2018 and May 2022, respectively; and

(ii) the Group expects to generate positive operating cash flows.

The Group will further improve its financial position in order to improve 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 31 March 2016, the Group had borrowings of approximately RMB131 million which are due within one year and approximately RMB112 million which are repayable after one year.

The gearing ratio, which is debt-to-equity ratio, of the Group was approximately 0.28 as at 31 March 2016 compared to approximately 0.98 as at 31 March 2015. During the year, the Company issued and allotted 380,833,333 ordinary shares at HKD0.6 each under the subscription agreements and accordingly the issued share capital of the Company has been enlarged from 5,302,801,915 ordinary shares to 5,683,635,248 ordinary shares.

Capital Expenditure on Property, Plant and Equipment

Capital expenditure for purchase of property, plant and equipment amounted to approximately RMB21 million (2015: approximately RMB61 million) for the year ended 31 March 2016.

Pledge of Assets

As at 31 March 2016, the Group had pledged assets in an aggregate amount of approximately RMB872 million (2015: approximately RMB1,053 million) to banks for banking facilities.

Capital Commitments

As at 31 March 2016, the Group had no material capital commitments.

Contingent liabilities

As at 31 March 2016, the Group had contingent liabilities in respect of financial guarantees given by the Group to a bank for a bank loan obtained by an associate of RMB60 million (2015: Nil).

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 31 March 2016, the Group had about 550 employees (2015: about 600). The remuneration packages are generally structured with reference to market conditions and individual qualifications. Salaries and wages of the Group's employees are normally reviewed on an annual basis based on performance appraisals and other relevant 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 year ended 31 March 2016, 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. 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

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2016. The Audit Committee comprises three independent non-executive directors, namely, Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of profit of loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2016 set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions (the "Model Code"). Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard set out in the Model Code throughout the year ended 31 March 2016.

DEALING IN COMPANY'S LISTED SECURITIES

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

By order of the Board
Wang Jianqing
Chairman and Chief Executive Officer

Hong Kong, 30 June 2016

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.