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 2019

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 2019 (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	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**3,877,457**	3,816,393
Cost of sales and services		**(3,787,514)**	(3,715,219)
Gross profit		**89,943**	101,174
Other income	*4*	**3,797**	25,492
Other gains and losses	*5*	**42,891**	8,400
Impairment losses reversed		**1,640**	—
Distribution and selling expenses		**(8,297)**	(6,096)
Administrative expenses		**(45,807)**	(43,392)
Share of results of associates		**(3,091)**	(9,183)
Finance costs		**(50,797)**	(42,170)
Profit before tax	*7*	**30,279**	34,225
Income tax expense	*8*	**(5,899)**	(11,031)

	Notes	Six months ended 30 September 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit for the period		**24,380**	23,194
Other comprehensive (expense) income for the period			
Items that will not be reclassified subsequently to profit or loss:			
Fair value loss on investment in equity instrument at fair value through other comprehensive income		**–**	(18,686)
Deferred tax related to items that may be reclassified		**–**	4,672
		–	(14,014)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(329)**	289
Other comprehensive expense for the period		**(329)**	(13,725)
Total comprehensive income for the period		**24,051**	9,469
Profit for the period attributable to:			
Owners of the Company		**24,121**	16,000
Non-controlling interests		**259**	7,194
		24,380	23,194
Total comprehensive income attributable to:			
Owner of the Company		**23,792**	2,275
Non-controlling interests		**259**	7,194
		24,051	9,469
Earnings per share *(RMB cents)*	*10*		
– Basic		**0.369**	0.245
– Diluted		**0.369**	0.245

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 September 2019** *RMB'000* **(Unaudited)**	As at 31 March 2019 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**688,711**	713,854
Right-of-use assets		**40,184**	–
Prepaid lease payments		–	37,253
Goodwill		**34,070**	34,070
Intangible asset		**8,147**	7,380
Interests in associates		**129,828**	132,919
Derivative financial instrument		**3,582**	3,150
Long-term receivable		**5,088**	5,088
Deferred tax assets		**712**	1,124
		910,322	934,838
CURRENT ASSETS			
Inventories		**20,624**	18,422
Trade and other receivables	*11*	**2,844,128**	3,195,279
Contract assets		**3,172**	3,970
Prepaid lease payments		–	1,479
Amount due from an associate		**380**	983
Amounts due from non-controlling equity owners of subsidiaries		**1,204**	1,204
Amount due from a related party		–	1,866
Financial assets at fair value through profit or loss		**7,600**	7,500
Pledged bank deposits		**380,837**	368,189
Bank balances and cash		**54,491**	67,654
		3,312,436	3,666,546

	Notes	As at 30 September 2019 RMB'000 (Unaudited)	As at 31 March 2019 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade payables and other liabilities	12	**1,059,326**	1,492,193
Contract liabilities		**174,017**	110,855
Lease liabilities		**1,956**	–
Amounts due to associates		**11,622**	37,057
Tax payable		**84,100**	80,598
Bank and other borrowings due within one year	14	**1,056,893**	1,037,611
Guaranteed notes		**272,469**	–
		2,660,383	2,758,314
NET CURRENT ASSETS		**652,053**	908,232
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,562,375**	1,843,070
CAPITAL AND RESERVES			
Share capital	15	**551,378**	551,378
Reserves		**824,531**	800,739
Equity attributable to owners of the Company		**1,375,909**	1,352,117
Non-controlling interests		**134,800**	134,541
TOTAL EQUITY		**1,510,709**	1,486,658
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**12,468**	13,737
Lease liabilities		**198**	–
Bank and other borrowings due after one year	14	**39,000**	77,678
Guaranteed notes		**–**	264,997
		51,666	356,412
		1,562,375	1,843,070

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (note a)	Statutory surplus reserve RMB'000 (note b)	Designated safety fund RMB'000 (note c)	Investment revaluation reserve RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 April 2018 (audited)	549,014	4,452,014	(3,775,606)	31,967	34,545	14,014	(7,890)	31,004	1,329,062	116,823	1,445,885
Profit for the period	–	–	–	–	–	–	–	16,000	16,000	7,194	23,194
Other comprehensive income for the period	–	–	–	–	–	(14,014)	289	–	(13,725)	–	(13,725)
Total comprehensive (expense) income for the period	–	–	–	–	–	(14,014)	289	16,000	2,275	7,194	9,469
Ordinary shares issued	2,364	14,894	–	–	–	–	–	–	17,258	–	17,258
Transfer to designated safety fund	–	–	–	–	6,444	–	–	(6,502)	(58)	–	(58)
At 30 September 2018 (unaudited)	551,378	4,466,908	(3,775,606)	31,967	40,989	–	(7,601)	40,502	1,348,537	124,017	1,472,554
At 1 April 2019 (audited)	**551,378**	**4,466,908**	**(3,775,606)**	**43,918**	**42,092**	**–**	**(7,933)**	**31,360**	**1,352,117**	**134,541**	**1,486,658**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24,121**	**24,121**	**259**	**24,380**
Other comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(329)**	**–**	**(329)**	**–**	**(329)**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(329)**	**24,121**	**23,792**	**259**	**24,051**
Transfer to statutory surplus fund	**–**	**–**	**–**	**16**	**–**	**–**	**–**	**(16)**	**–**	**–**	**–**
Transfer to designated safety fund	**–**	**–**	**–**	**–**	**(662)**	**–**	**–**	**662**	**–**	**–**	**–**
At 30 September 2019 (unaudited)	**551,378**	**4,466,908**	**(3,775,606)**	**43,934**	**41,430**	**–**	**(8,262)**	**56,127**	**1,375,909**	**134,800**	**1,510,709**

Notes:

(a) Other reserve of the Group mainly represents (i) the financial impact of adopting merger accounting for the acquisition of Union Honor Limited ("**UHL**") and its subsidiaries and (ii) a debit arising from the deemed distribution to shareholder which represents the cash consideration of the acquisition of UHL of HK$70,000,000 (equivalent to RMB55,595,000) paid to the vendor during the year ended 31 March 2014.

(b) In accordance with the relevant laws and regulations of the People's Republic of China (the "**PRC**") and the Articles of Association of certain subsidiaries of the Company, they are required to provide for PRC statutory reserves, by way of appropriations from their respective statutory net profit (based on their PRC statutory financial statements) but before dividend distributions. They are required to transfer 10% of the profit after taxation to the statutory reserves. The appropriation to the statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the registered capital of the relevant companies. The statutory surplus reserve can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of a capitalisation issue. However, when converting the statutory surplus reserve into capital, the remaining balance of such reserve must not be less than 25% of the registered capital of the relevant companies.

(c) Pursuant to the relevant PRC regulation, certain subsidiaries are required to transfer a certain percentage based on a progressive rate on revenue generated from manufacturing and transportation of gas or other dangerous chemical into a designated fund. The fund will be used for installation and repair and maintenance of safety facilities. The movement during the period represents the difference between the amounts provided based on the relevant PRC regulation and the amount utilised during the period.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(251,888)**	(648,016)
Net cash from investing activities	**252,720**	59,139
Net cash (used in) from financing activities	**(13,673)**	569,938
Net decrease in cash and cash equivalents	**(12,841)**	(18,939)
Cash and cash equivalents at 1 April	**67,654**	50,073
Effect of foreign exchange rate changes, net	**(322)**	295
Cash and cash equivalents at 30 September	**54,491**	31,429

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 RMB24,121,000 for the six months ended 30 September 2019 (for the six months ended 30 September 2018: RMB16,000,000) and as at 30 September 2019 the Group had net current assets of approximately RMB652,053,000 (As at 31 March 2019: approximately RMB908,232,000).

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 2019, except for the first time of the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") that are relevant for the preparation of the Group's condensed consolidated financial statements.

HKFRS 16	*Leases*
HK(IFRIC) – Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015–2017 Cycle*

Except as described below, the application of other new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performances for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate standalone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment", the same line item as that within which the corresponding underlying assets would be presented if they were owned. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) − Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

iv. use hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of RMB3,162,000 and right-of-use assets of 41,894,000 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5.16%.

	As at 1 April 2019 *RMB'000*
Operating lease commitments disclosed as at 31 March 2019	**1,888**
Lease liabilities discounted at relevant incremental borrowing rates	**1,653**
Add: Extension options reasonably certain to be exercised	**1,509**
Lease liabilities as at 1 April 2019	**3,162**
Analysed as	
Current	**2,044**
Non-current	**1,118**
	3,162

The carrying amount of right-of-use assets as at 1 April 2019 comprises the followings:

	Right-of-use assets *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	3,162
Reclassified from prepaid lease payments *(note)*	38,732
	41,894
By class:	
Leasehold lands and buildings	41,894

Note: Upfront payments for leasehold lands in the People's Republic of China (the "**PRC**") were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately RMB1,479,000 and RMB37,253,000 respectively were reclassified to right-of-use assets.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019	Adjustments	Carrying amounts previously reported at 1 April 2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Prepaid lease payments	37,253	(37,253)	–
Right-of-use assets	–	41,894	41,894
Current assets			
Prepaid lease payments	1,479	(1,479)	–
Current liabilities			
Lease liabilities	–	2,044	2,044
Non-current liabilities			
Lease liabilities	–	1,118	1,118

3. REVENUE

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from sales of goods		
– Oil and gas contracts	**2,000,124**	2,512,882
– LNG	**1,682,961**	1,166,640
– Vehicle gas refuelling stations	**10,544**	5,528
– Piped gas	**175,660**	123,333
Sub-total	**3,869,289**	3,808,383
Revenue from provision of services		
– LNG transportation	**3,009**	7,721
– Construction of gas pipeline infrastructure	**4,763**	–
– Sales commission	**396**	289
Sub-total	**8,168**	8,010
	3,877,457	3,816,393

4. OTHER INCOME

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from:		
– banks	**3,797**	2,644
– deposits paid for acquisition of an associate *(note)*	**–**	22,848
	3,797	25,492

Note: The amount represents the deposit paid by the subsidiary for acquisition of 11.5% equity interest of Quanzhou Zhenrong Petrochemical Storage Company Limited which is interest bearing according to the Cooperation Agreement.

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net exchange gain	**42,459**	8,400
Gain on fair value change of derivative financial instrument	**432**	–
	42,891	8,400

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 ("**CODM**"), the directors of the Company, for the purposes of resource allocation and assessment of performance. Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, share of results of associates, interest income, finance costs and gain on bargain purchase. This is the measure reported to the CODM. 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
Other operations	Sales of vehicle gas at refuelling stations, sales of piped gas, LNG transportation, construction of gas pipeline infrastructure

Segments turnover and results

For the six months ended 30 September 2019

	Production and sales of LNG *RMB'000* (Unaudited)	Oil and gas transactions *RMB'000* (Unaudited)	Others operations *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Sales of goods				
– Oil and gas contracts	–	2,000,124	–	2,000,124
– LNG	1,682,961	–	–	1,682,961
– Vehicle gas refuelling stations	–	–	10,544	10,544
– Piped gas	–	–	175,660	175,660
Provision of services				
– LNG transportation	–	–	3,009	3,009
– Construction of gas pipeline infrastructure	–	–	4,763	4,763
– Sales commission	–	–	396	396
Segment revenue from external customers	1,682,961	2,000,124	194,372	3,877,457
Segment results	18,493	11,959	21,336	51,788
Interest income				3,797
Share of result of associates				(3,091)
Finance costs				(50,797)
Unallocated other gains and losses				32,434
Unallocated corporate expenses				(3,852)
Profit before tax				30,279

For the six months ended 30 September 2018

	Production and sales of LNG *RMB'000* (Unaudited)	Oil and gas transactions *RMB'000* (Unaudited)	Others operations *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Sales of goods				
– Oil and gas contracts	–	2,512,882	–	2,512,882
– LNG	1,166,640	–	–	1,166,640
– Vehicle gas refuelling stations	–	–	5,528	5,528
– Piped gas	–	–	123,333	123,333
Provision of services				
– LNG transportation	–	–	7,721	7,721
– Sales commission	–	–	289	289
Segment revenue from external customers	1,166,640	2,512,882	136,871	3,816,393
Segment results	48,452	7,126	8,792	64,370
Interest income				25,492
Share of result of associates				(9,183)
Finance costs				(42,170)
Unallocated corporate expenses				(4,284)
Profit before tax				34,225

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

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
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Audited)
The PRC, other than Hong Kong	**1,682,961**	1,166,640	**–**	–	**194,372**	136,871	**899,136**	925,476
Singapore	**–**	–	**2,000,124**	2,512,882	**–**	–	**–**	–
Hong Kong	**–**	–	**–**	–	**–**	–	**1,804**	
	1,682,961	1,166,640	**2,000,124**	2,512,882	**194,372**	136,871	**900,940**	925,476

* *Non-current assets exclude financial instruments*

7. PROFIT BEFORE TAX

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**231**	197
Amortisation of prepaid lease payments	**675**	806
Cost of inventories recognised as an expense	**1,362,029**	1,208,489
Depreciation of property, plant and equipment	**29,682**	32,126
Depreciation of right-of-use assets	**1,035**	–
Directors' emoluments	**1,808**	1,698
Salaries and other benefits	**15,974**	14,997
Retirement benefits contributions	**3,114**	3,360
Total staff costs (excluding directors' emoluments)	**19,088**	18,357

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The charge (credit) comprises:		
Current taxation		
Hong Kong	**2,325**	–
PRC Enterprise Income Tax ("**EIT**")	**4,770**	9,322
	7,095	9,322
Deferred taxation		
Current period	**(1,196)**	1,709
	5,899	11,031

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced the two-tiered profits tax rate regime applies to years of assessment commencing on or after 1 April 2018. Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporation will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5% (six months ended 30 September 2018: 16.5%).

For the six months ended 30 September 2019, the Hong Kong Profits Tax of the elected Hong Kong subsidiary is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2018.

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

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

Xingxing Energy was registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2013 to 2020. Accordingly, Xingxing Energy is eligible for the EIT of 15% (2018: 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% (2018: 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.

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 2019 is based on the profit attributable to owners of the Company of approximately RMB24,121,000 (for the six months ended 30 September 2018: approximately RMB16,000,000) and the weighted average number of 6,545,621,131 (as at 30 September 2018: 6,528,382,392) ordinary shares in issue during the period.

Diluted earnings per share are not presented as the Company does not have any potential ordinary shares for the six months ended 30 September 2019.

The computation of diluted earnings per share for the six months ended 30 September 2018 does not assume the issue of the consideration shares since it would not result in a decrease in earnings per share.

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 ***RMB'000*** **(Unaudited)**	As at 31 March 2019 *RMB'000* (Audited)
Trade receivables	**1,786,308**	2,247,080
Dividend receivable	**23,719**	95,520
Consideration receivable	**–**	252,800
Other receivables	**38,322**	7,944
Prepayments	**995,779**	591,935
	2,844,128	3,195,279

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 allows customers to settle the trade receivables before the end of credit period or to make prepayments to Group by bills.

Trade receivables arisen 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 nine months after the bills of lading date of delivery or by telegraphic transfer.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the dates of delivery of goods or rendering of services, at the end of the reporting period.

	As at 30 September 2019	As at 31 March 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**94,773**	917,868
31–90 days	**612,830**	105,968
91–180 days	**727,637**	1,143,490
Over 180 days	**351,068**	79,754
	1,786,308	2,247,080

12. TRADE PAYABLES AND OTHER LIABILITIES

	As at 30 September 2019	As at 31 March 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**369,926**	699,379
Bills payables	**614,863**	723,013
Other payables	**74,537**	69,801
	1,059,326	1,492,193

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

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

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

	As at 30 September 2019 *RMB'000* (Unaudited)	As at 31 March 2019 *RMB'000* (Audited)
Within 90 days	**362,172**	693,843
91–180 days	**172**	200
181–365 days	**825**	837
Over 1 years	**6,757**	4,499
	369,926	699,379

13. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately RMB4,770,000 (for the six months ended 30 September 2018: approximately RMB10,720,000) 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 RMB653 million (for the six months ended 30 September 2018: approximately RMB872 million). The loans carry interest at fixed/variable market rates of 4.1%–10% 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 RMB672 million (for the six months ended 30 September 2018: approximately RMB391 million).

15. SHARE CAPITAL

	Number of shares *'000*	Share capital *'000*
Shares of HK$0.10 each		
Authorised:		
As at 1 April 2018 (audited), 31 March 2019 (audited) and 30 September 2019 (unaudited)	10,000,000	HK$1,000,000
Ordinary shares, issued and fully paid:		
At 1 April 2018 (audited)	6,518,339	RMB549,014
Issue of shares	27,282	RMB2,364
As at 31 March 2019 (audited) and 30 September 2019 (unaudited)	6,545,621	RMB551,378

16. RELATED PARTIES TRANSACTIONS

	Six months ended 30 September	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of oil and gas contract to a related party	**411,622**	–
Purchase of oil and gas contract from related parties	**–**	122,699
Purchase LNG from an associate	**86,544**	97,800

DIVIDEND

The Board of Directors have resolved not to declare an interim dividend for the six months ended 30 September 2019 (for the six months ended 30 September 2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

BUSINESS REVIEW

Group results

During the period from 1 April 2019 to 30 September 2019 (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 RMB3,877 million (six months ended 30 September 2018: approximately RMB3,816 million) with profit after tax of approximately RMB24 million (six months ended 30 September 2018: approximately RMB23 million), mainly contributed by the production and sales of LNG and the trading of oil and gas business.

Production and sales of LNG

During the Period, the Group produced approximately 234,000,000 cubic meters of LNG, representing an increase of approximately 4,000,000 cubic meters or 2% compared with the same period of last year. The turnover from the sales of LNG business for the Period was approximately RMB1,683 million, representing an increase of approximately RMB516 million or 44.3% compared with the same period of last year, contributing approximately 43.4% of the total turnover of the Group. However, gross profit decreased by approximately RMB31 million to approximately RMB46 million (six months ended 30 September 2018: approximately RMB77 million), with gross profit margin decreased from approximately 6.6% to approximately 2.7%.

The decline in the gross profit margin was predominantly due to the stiff competition in the LNG market and the increase in the average procurement cost of natural gas.

Oil and gas transactions

During the Period, revenue arising from oil and gas transactions declined to approximately RMB2,000 million from approximately RMB2,513 million, contributing approximately 51.6% of the total turnover of the Group, representing a decrease of approximately RMB513 million or 20.4% from the six months ended 30 September 2018. Gross profit, however, increased to approximately RMB17 million from approximately RMB12 million, with gross profit margin increased from approximately 0.48% to approximately 0.84%.

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

Along with the continuous adjustment of energy consumption structure and promotion of the clean energy, the development of the natural gas industry and demand of natural gas will maintain steady growth. The Group expects that the reforms in the natural gas market would be conducive to the market environment, in which the Group operates.

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

FINANCIAL REVIEW

Turnover

The Group's turnover for the period ended 30 September 2019 was approximately RMB3,877 million (six months ended 30 September 2018: approximately RMB3,816 million). The increase in turnover was mainly attributable to the increase in revenue from the sales of LNG which reported a turnover of approximately RMB1,683 million during the Period (six months ended 30 September 2018: approximately RMB1,167 million).

Gross Profit

Gross profit for the period ended 30 September 2019 was approximately RMB90 million (six months ended 30 September 2018: approximately RMB101 million). The decrease in gross profit was primarily due to the increase in average procurement cost of natural gas. The Group's gross profit margin for the six months ended 30 September 2019 decreased from approximately 2.7% (six months ended 30 September 2018) to approximately 2.3%.

Other Income

Other income for the period ended 30 September 2019 was approximately RMB4 million (six months ended 30 September 2018: approximately RMB25 million). The decrease in other income is mainly due to the Group has disposed of the deposit paid for acquisition of an associate and related interest receivable through the disposal of Ju Yuan on 13 March 2019.

Administrative Expenses

The Group's administrative expenses for the period ended 30 September 2019 amounted to approximately RMB46 million (six months ended 2018: approximately RMB43 million). The increase in administrative expenses is mainly due to the increase in the labour cost.

Finance Costs

The Group incurred finance costs of approximately RMB51 million during the Period (six months ended 30 September 2018: approximately RMB42 million), representing an increase of approximately 21%. The increase was mainly due to the increase in bank and other borrowings.

Income Tax Expenses

For the period ended 30 September 2019, income tax expenses of the Group approximately RMB6 million (six months ended 2018: approximately RMB11 million) represent a decrease of approximately RMB5 million. The decrease was mainly due to a decrease in the taxable income.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2019, the Group's maintained bank balances and cash of approximately RMB55 million (31 March 2019: approximately RMB68 million)

The net current assets of the Group as at 30 September 2019 were approximately RMB652 million (31 March 2019: approximately RMB908 million). The current ratio was approximately 1.25 (31 March 2019: approximately 1.33).

As at 30 September 2019, the Group had borrowings of approximately 1,329 million which are due within one year and approximately RMB39 million which are repayable after one year. The gearing ratio, which is debt-to-equity ratio, of the Group was approximately 0.91 compared to approximately 0.93 as at 31 March 2019.

Capital Expenditure on Property, Plant and Equipment

Capital expenditure for purchase of property, plant and equipment amounted to approximately RMB5 million (six months ended 30 September 2018: approximately RMB11 million) for the Period.

Pledge of Assets

As at 30 September 2019, the Group pledged assets in aggregate amount of approximately RMB790 million (31 March 2019: approximately RMB877 million) to banks for banking facilities.

Capital Commitments

As at 30 September 2019, the Group had no material capital commitments.

Contingent Liabilities

As at 30 September 2019, the Group had contingent liabilities in respect of financial guarantees given by the Group to the banks for the bank loans obtained by associates of RMB115 million (31 March 2019: RMB135 million).

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 2019, the Group had about 440 employees (31 March 2019: about 420). 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 2019, 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.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 September 2019 have been reviewed by the Audit Committee of the Company.

DEALING IN COMPANY'S LISTED SECURITIES

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

ACKNOWLEDGEMENT

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

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

Hong Kong, 29 November 2019

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.