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 2014

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 2014 (the "Period"), together with the restated comparative figures, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 September	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited) (Restated)
Turnover	3	**4,353,178**	6,739,700
Operating costs	3	**(4,221,425)**	(6,565,839)
Gross profit		**131,753**	173,861
Other income		**7,260**	5,006
Other gains and losses		**496**	(366)
Distribution and selling expenses		**(18,158)**	(17,399)
Administrative expenses		**(40,391)**	(41,449)
Finance costs		**(33,587)**	(22,738)
Profit before taxation	5	**47,373**	96,915
Income tax expense	6	**(14,563)**	(23,012)

	Notes	Six months ended 30 September **2014** ***RMB'000*** **(Unaudited)**	2013 *RMB'000* (Unaudited) (Restated)
Profit for the period		**32,810**	73,903
Other comprehensive income for the period			
Items that will not be classified to profit or loss:			
Exchange differences arising on translation		**(584)**	(1,729)
Total comprehensive income for the period		**32,226**	72,174
Profit for the period attributable to:			
Owners of the Company		**19,817**	56,076
Non-controlling interests		**12,993**	17,827
		32,810	73,903
Total comprehensive income attributable to:			
Owner of the Company		**19,233**	54,347
Non-controlling interests		**12,993**	17,827
		32,226	72,174
Earnings per share *(RMB cents)*	8		
— Basic		**0.37**	1.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2014 RMB'000 (Unaudited)	As at 31 March 2014 RMB'000 (Unaudited) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**861,997**	884,630
Prepaid lease payments		**40,795**	40,860
Goodwill		**56,740**	56,740
Intangible asset		**9,187**	9,345
Interests in associates		**30,000**	30,000
Amount due from a non-controlling equity owner of subsidiaries		**38,181**	36,393
Amount due from a former equity owner of subsidiaries		**98,625**	75,148
Deposits for property, plant and equipment under finance lease		**4,969**	4,969
		1,140,494	1,138,085
CURRENT ASSETS			
Inventories		**19,229**	29,038
Trade and other receivables	9	**1,338,788**	1,935,529
Prepaid lease payments		**1,278**	1,286
Amount due from a non-controlling equity owner of a subsidiary		—	4,959
Amounts due from related parties		**1,354**	33,649
Amounts due from shareholders		—	12
Short-term investments		**25,000**	28,500
Pledged bank deposits		**495,307**	263,177
Cash and cash equivalents		**333,839**	321,890
		2,214,795	2,618,040
CURRENT LIABILITIES			
Trade and other payables	10	**1,850,359**	2,168,672
Amount due to an associate		**380**	338
Amounts due to shareholders		**6,131**	6,155
Tax payables		**66,100**	72,349
Bank and other borrowings due within one year	12	**653,000**	758,589
Obligations under finance leases		**5,688**	5,333
		2,581,658	3,011,436

	Notes	As at 30 September 2014 RMB'000 (Unaudited)	As at 31 March 2014 RMB'000 (Unaudited) (Restated)
NET CURRENT LIABILITIES		**(366,863)**	(393,396)
TOTAL ASSETS LESS CURRENT LIABILITIES		**773,631**	744,689
CAPITAL AND RESERVES			
Share capital	13	**443,282**	443,282
Reserves		**129,438**	110,805
Equity attributable to owners of the Company		**572,720**	554,087
Non-controlling interests		**141,501**	130,508
TOTAL EQUITY		**714,221**	684,595
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**19,713**	15,509
Bank and other borrowings due after one year	12	**35,000**	37,000
Obligations under finance leases		**4,697**	7,585
		59,410	60,094
		773,631	744,689

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)*	Translation reserve *RMB'000*	(Accumulated loss) retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 April 2013										
As previously stated	102,767	160,816	62,921	—	—	(175,994)	(78,375)	72,135	—	72,135
Effect of combination under common control	340,515	3,711,615	(3,672,676)	—	—	—	(39,864)	339,590	93,680	433,270
As restated (unaudited)	443,282	3,872,431	(3,609,755)	—	—	(175,994)	(118,239)	411,725	93,680	505,405
Profit for the period	—	—	—	—	—	—	56,076	56,076	17,827	73,903
Other comprehensive income for the period	—	—	—	—	—	(1,729)	—	(1,729)	—	(1,729)
Total comprehensive income for the period	—	—	—	—	—	(1,729)	56,076	54,347	17,827	72,174
Shareholder's contribution	—	—	14,493	—	—	—	—	14,493	—	14,493
Capitalisation of shareholder's contribution	—	—	—	—	—	—	—	—	—	—
Dividend	—	—	—	—	—	—	—	—	(2,000)	(2,000)
Transfer to statutory surplus reserve	—	—	—	652	—	—	(652)	—	—	—
Transfer to designated safety fund	—	—	—	—	3,799	—	(3,799)	—	—	—
At 30 September 2013 (unaudited, restated)	443,282	3,872,431	(3,595,262)	652	3,799	(177,723)	(66,614)	480,565	109,507	590,072
At 1 April 2014 (unaudited, restated)	**443,282**	**3,872,431**	**(3,595,262)**	**12,255**	**3,538**	**(177,484)**	**(4,673)**	**554,087**	**130,508**	**684,595**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**19,817**	**19,817**	**12,993**	**32,810**
Other comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**(584)**	**—**	**(584)**	**—**	**(584)**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**(584)**	**19,817**	**19,233**	**12,993**	**32,226**
Acquisition of non-controlling interests in a subsidiary	**—**	**—**	**(600)**	**—**	**—**	**—**	**—**	**(600)**	**—**	**(600)**
Dividend	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,000)**	**(2,000)**
Transfer to statutory surplus reserve	**—**	**—**	**—**	**2,862**	**—**	**—**	**(2,862)**	**—**	**—**	**—**
Transfer to designated safety fund	**—**	**—**	**—**	**—**	**4,915**	**—**	**(4,915)**	**—**	**—**	**—**
At 30 September 2014 (unaudited)	**443,282**	**3,872,431**	**(3,595,862)**	**15,117**	**8,453**	**(178,068)**	**7,367**	**572,720**	**141,501**	**714,221**

Notes:

a. Other reserve as at 1 April 2013 mainly arose from the combination of Yuan Heng Gas Holdings (formerly known as Ngai Lik Industrial Holdings Limited) and its subsidiaries and Union Honor Limited and its subsidiaries. The amounts represent excess of considerations paid over the share capital of the acquired companies net of distribution to the former shareholders, the acquisition date fair value adjustments of the combined entities, and shareholder contributions to the Group.

b. In accordance with the relevant laws and regulations of the Peoples' 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	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Net cash from operating activities	**371,661**	243,759
Net cash used in investing activities	**(17,436)**	(84,956)
Net cash used in financing activities	**(342,276)**	(156,893)
Net increase in cash and cash equivalents	**11,949**	1,910
Cash and cash equivalents at 1 April	**321,890**	300,787
Effect of foreign exchange rate changes, net	**—**	10
Cash and cash equivalents at 30 September	**333,839**	302,707

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 RMB19,817,000 for the six months ended 30 September 2014 (Restated for the six months ended 30 September 2013: RMB56,076,000) and as at 30 September 2014 the Group had net current liabilities of approximately RMB366,863,000 (Restated as at 31 March 2014: RMB393,396,000).

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 Union Honor Limited ("UHL"), a wholly-owned subsidiary of the Vendor, at the total consideration of HK$2,861,775,000 (the "Acquisition"). Both the Vendor and UHL are limited liability companies incorporated in the BVI and Vendor is a shell entity with no operation.

Mr. Wang Jianqing, the ultimate shareholder of the Company, has equity interest of 62.89% of the Vendor and is controlled by Mr. Wang Jianqing. The Vendor is therefore a connected person of the Company.

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 has been revised to approximately HK$3,068,246,000. The Acquisition was approved by the shareholders of the Company in a special general meeting held on 8 May 2014 and the Acquisition was completed on 16 May 2014.

According to the Supplemental SPA, the total consideration of the Acquisition is satisfied by (i) cash consideration of HK$70,000,000; (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. As at 31 March 2014, cash consideration of HK$70,000,000 has been paid.

Mr. Wang Jianqing has been the controlling party of the Company since the completion of mandatory unconditional cash offer on 3 January 2011 and obtained the control of the Vendor and UHL on 11 January 2013. The Acquisition of UHL is considered as a combination of businesses under common control and accounted for under merger basis taking into consideration of the requirements under Accounting Guideline 5 "Merger Accounting for Common Control Combinations".

The effects of the combination of UHL and its subsidiaries ("UHL Group" or "Acquired Companies") on the financial position and the results of the Group for the six months ended 30 September 2013 was restated in the unaudited condensed consolidated statement of financial position and the unaudited condensed consolidated statement of profit or loss and other comprehensive income, respectively ("Restated comparative 2013 Figures").

Upon the completion of the Acquisition, the functional currency of the Company has changed from Hong Kong Dollars ("HK$") to Renminbi ("RMB") as the primary economic environment of the Company changed to a PRC business environment. Following the change of functional currency of the Company, the Company changed the presentation currency of its condensed consolidated financial statements from HK$ to RMB. The directors of the Company are in 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. Comparative figures have been restated in RMB.

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 2014, except for the adoption of the abovementioned accounting policy as set out in note 1 and for the first time of the following new Interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant for the preparation of the Group's condensed consolidated financial statements.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*;
- Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*;
- Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*;
- Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*; and
- HK (IFRIC) — Int 21 *Levies*.

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

3. TURNOVER AND OPERATING COSTS

	Six months ended 30 September	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
The Group's turnover includes:		
Gross proceeds from oil and gas sales contracts	**3,238,495**	5,789,736
Revenue from sales of goods		
— Wholesale of LNG	**964,259**	858,396
— Vehicle gas refuelling stations	**13,884**	20,721
— Sales of piped gas	**114,867**	45,629
Revenue from provision of services		
— LNG transportation	**21,673**	25,218
	4,353,178	6,739,700
The Group's operating costs includes:		
Gross amount from oil and gas purchase contracts	**3,235,709**	5,786,981
Cost of sales of goods	**843,124**	695,738
Cost of provision of services	**142,592**	83,120
	4,221,425	6,565,839
Gross profit	**131,753**	173,861

4. SEGMENT INFORMATION

Reportable and operating segments are identified for internal reporting based on components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the chairman and chief executive officer), for the purposes of resource allocation and assessment of performance.

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

Segments results

For the six months ended 30 September 2014

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

Note : No reconciliation of the total of the reportable segments' measures of profit or loss to the entity's profit or loss before discontinued operations are presented as the discontinued operations are immaterial to the Group during the current interim period and the results are included in continuing operations in the condensed consolidated statements of profit or loss and other comprehensive income for the six months ended 30 September 2014.

For the six months ended 30 September 2013

	Production and sales of LNG *RMB'000* (Unaudited) (Restated)	Oil and gas transactions *RMB'000* (Unaudited) (Restated)	Others operations *RMB'000* (Unaudited) (Restated)	Total *RMB'000* (Unaudited) (Restated)
Segment turnover from external customers	858,396	5,789,736	91,568	6,739,700
Inter-segment turnover	63,443	—	—	63,443
Segment turnover	921,839	5,789,736	91,568	6,803,143
Elimination				(63,443)
Total turnover				6,739,700
Segment results	115,374	804	2,381	118,559
Interest income				3,111
Finance costs				(22,738)
Unallocated corporate expenses				(2,017)
Profit before taxation				96,915
Income tax expense				(23,012)
Profit for the period				73,903

Segment assets and liabilities

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

Geographical segments

The following table provides an analysis of the Group's segment turnover by geographical market, irrespective of the origin of the goods delivered or services rendered:

	Production and sales of LNG Six months ended 30 September		**Oil and gas transactions Six months ended 30 September**		**Others operations Six months ended 30 September**	
	2014 ***RMB'000*** **(Unaudited)**	2013 *RMB'000* (Unaudited) (Restated)	**2014** ***RMB'000*** **(Unaudited)**	2013 *RMB'000* (Unaudited) (Restated)	**2014** ***RMB'000*** **(Unaudited)**	2013 *RMB'000* (Audited) (Restated)
The PRC, other than Hong Kong	**964,259**	858,396	**—**	127,364	**150,424**	91,568
Hong Kong	**—**	—	**541,373**	492,557	**—**	—
Singapore	**—**	—	**2,697,122**	5,169,815	**—**	—
	964,259	858,396	**3,238,495**	5,789,736	**150,424**	91,568

5. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	**1,105**	1,161
Amortisation of prepaid lease payments	**3,514**	2,361
Depreciation of property, plant and equipment	**35,288**	34,883
Directors' emoluments	**1,174**	732
Salaries and other benefits	**20,567**	18,477
Retirement benefits contributions	**4,300**	3,204
Total staff costs (excluding directors' emoluments)	**24,867**	21,681
Interest income from		
— banks	**2,434**	642
— a non-controlling equity owner of subsidiaries	**1,309**	510
— a former equity owner of subsidiaries	**1,957**	1,959
	5,700	3,111
Losses on disposal of property, plant and equipment	**—**	(13)
Exchange gain (losses)	**496**	(353)
Other gains (losses)	**496**	(366)

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
The charge comprises:		
Current taxation		
Hong Kong	**48**	180
PRC Enterprise Income Tax ("EIT")	**10,311**	22,088
	10,359	22,268
Deferred taxation		
Current year	**4,204**	744
	14,563	23,012

Notes

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

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

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

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% both interim periods.

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.

7. 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.

8. EARNINGS PER SHARE

The weighted average number of shares used for the purpose of calculating basic earnings per share for both periods has been adjusted as if the issue of the Consideration Shares (as defined in Note 1) was at 1 April 2013, on the basis that the condensed consolidated financial statements are prepared as if 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 six months period ended 30 September 2014 is based on the profit attributable to owners of the Company of approximately RMB19,817,000 (Restated for the six months ended 30 September 2013: approximately RMB56,076,000) and the weighted average number of 5,302,801,915 (Restated as at 30 September 2013: 5,302,801,915) ordinary shares in issue during the period.

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

9. TRADE AND OTHER RECEIVABLES

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

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 60 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods or rendering of services which approximated the respective dates on which revenue was recognised.

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

	As at 30 September 2014 *RMB'000* (Unaudited)	As at 31 March 2014 *RMB'000* (Unaudited) (Restated)
Current — 30 days	**977,524**	121,727
31 days — 180 days	**208,860**	1,361,131
>180 days	**6,992**	51
	1,193,376	1,482,909

10. TRADE AND OTHER 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 2014 *RMB'000* (Unaudited)	As at 31 March 2014 *RMB'000* (Audited)
Within 90 days	**1,084,005**	1,342,855
91–180 days	**1,321**	8,844
181–365 days	**—**	1,107
Over 1 years	**2,179**	9,779
	1,087,505	1,362,585

The average credit period on purchase of goods is 30 to 90 days.

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately RMB12,365,000 (Restated for the six months ended 30 September 2013: approximately RMB20,777,000) on property, plant and equipment.

12. BANK AND OTHER BORROWING

During the current interim period, the Group obtained new bank and other loans amounting to approximately RMB300 million (Restated for the six months ended 30 September 2013: approximately RMB250 million). The loans carry interest at fixed/variable market rates of 4.5%–7.84% and are repayable in instalments over a period of one to five years. During the current interim period, the Group repaid bank and other loans amounting to approximately RMB406 million (Restated for the six months ended 30 September 2013: approximately RMB438 million).

13. SHARE CAPITAL

	Number of shares	Share capital
	'000	*RMB'000*
	(Unaudited)	(Unaudited)
THE COMPANY		
Ordinary shares, issued and fully paid:		
At 1 April 2014	1,019,593	102,767
New shares issued in respect of the Acquisition *(Note 1)*	4,283,209	340,515
At 30 September 2014	5,302,802	443,282

14. RELATED PARTIES TRANSACTIONS

During the six months ended 30 September 2014, the Group entered into the following transactions with related parties:

	Six months ended 30 September	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Sales of LNG to related parties	**1,300**	12,590
Sales of LNG to an associate	**4,581**	841
Purchase of LNG from related parties	**—**	27,234
Selling expense to a related company *(note)*	**—**	1,508

Note: During both interim period, the Group incurred selling expenses paid to Circle Energy in respect of sales to customers introduced by Circle Energy in the form of repurchase of LNG sold to Circle Energy at a markup from the original selling price. For the presentation in the condensed consolidated statements of profits or loss and other comprehensive income, the sales and purchases were set-off with the difference included in the distribution and selling expenses. The following is the analysis of the sales of LNG to and repurchase of LNG from Circle Energy.

	As at 30 September 2014 RMB'000 (Unaudited)	As at 31 March 2014 RMB'000 (Unaudited) (Restated)
Sales of LNG	—	7,074
Repurchase of LNG	—	(8,582)
Net selling expenses	—	(1,508)
Interest expenses to related parties		
— Circle Energy	—	2,130

	As at 30 September 2014 RMB'000 (Unaudited)	As at 31 March 2014 RMB'000 (Unaudited) (Restated)
Guarantee given by related parties in respect of bank borrowing and banking facilities granted to the Group		
— Mr. Wang	**700,000**	700,000
Guarantee given to bank in respect of a facilities granted to an associate banking facilities granted to the Group	**103,500**	103,500
	803,500	803,500

DIVIDEND

The Board of Directors have resolved not to declare an interim dividend for the six months ended 30 September 2014 (for the six months ended 30 September 2013: nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Restatement of the comparative figures for the six months ended 30 September 2013 as a result of adoption of merger accounting for the combination

The Group's comparative figures for the six months ended 30 September 2013 have been restated as a result of the combination and the merger accounting treatment as explained in note 1 ("Restated 2013 Comparative Figures").

Accordingly, the condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the six months ended 30 September 2013 include the results of operations, changes in equity and cash flows of the Acquired Companies as if the current group structure upon the completion of the combination had been in existence throughout the six months ended 30 September 2013.

For further details of the combination and the business operations and activities of the UHL, please refer to the circular of the Company dated 15 April 2014.

BUSINESS REVIEW

Group results

Following the successful completion of the Acquisition in May 2014, the Group has successfully expanded (and completed) the Group's product/service offering chain, from upstream processing to downstream distribution and sales, thereby diversified and improved the Group's operation and financial positions. The acquisition of the UHL Group has contributed positively to the Group's profitability, business and operations and resulted in an overall improvement in the financial position of the Group as compared to its position prior to the Acquisition. Notwithstanding, the current softening of the global oil and gas prices has created an immense competition between the imported natural gas players and the PRC local LNG and natural gas producers. Coupled with the increase in the purchase price of the natural gas from the PRC suppliers, the Group's LNG business had, during the Period (defined hereafter) faced hefty challenges.

During the period from 1 April 2014 to 30 September 2014 (the "Period"), the Group recorded an unaudited consolidated turnover of approximately RMB4,353 million (Restated 2013 Comparative Figures: approximately RMB6,740 million) with profit after tax of approximately RMB33 million (Restated 2013 Comparative Figures: approximately RMB74 million). The Group's performance for the Period were contributed mainly by the production and sales of LNG and the trading of oil and gas business.

In order to align and optimize the Group's business operations, the Board has, after taking into consideration the continuous non-performance of the EMS Business, resolved to discontinue the said business in September 2014. During the Period, no turnover was recorded from EMS business (Restated 2013 Comparative Figures: nil). At present, the Group is involved 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.

On 19 May 2014, the Company changed its English name from "Ngai Lik Industrial Holdings Limited" to "Yuan Heng Gas Holdings Limited" and adopted and registered the Chinese name "元亨燃氣控股有限公司" as its secondary name, in reflection of its plan to focus the Group's business in the energy industry, in particular, the sector relating to natural gas.

Production and sales of LNG

During the Period, the Group produced approximately 255,811,000 cubic meters of LNG, representing an increase of approximately 11,172,000 cubic meters or 4.6% compared with the same period of last year. The turnover from the sales of LNG business for the Period was approximately RMB964 million, representing an increase of approximately RMB106 million or 12.3% compared with the same period of last year, contributing approximately 22.2% of the total turnover of the Group. Gross profit however, decreased by approximately RMB42 million to approximately RMB121 million (Restated 2013 Comparative Figures: approximately RMB163 million), with gross profit margin fell from approximately 18.9% to approximately 12.6%. The squeeze in the gross profit margin was predominantly due to the increase of the purchase price of natural gas in the PRC with increased competition in the PRC LNG industry. Notwithstanding, the management will continue to seek and implement measures to maintain the profitability.

Oil and gas transactions

During the Period, revenue arising from oil and gas transactions decreased to approximately RMB3,238 million from approximately RMB5,790 million, representing a decrease of approximately RMB2,551 million or 44.1% from the six month ended 30 September 2013. The decrease in revenue mainly due to global oil prices dropping. Gross profit however, increased marginally from approximately RMB2.76 million to approximately RMB2.79 million, with gross profit margin increased from approximately 0.048% to approximately 0.086%.

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

The Group, with the successful acquisition of the UHL Group, has positioned itself as a provider of clean energy, with focus on LNG and natural gas. As one of the prominent LNG producers in the PRC, the Group has extended efforts in expanding its distribution and sales network as well as participated in strategic pipeline projects in the PRC.

Since 2013, the Group, through 貴州華元投資有限公司 Guizhou Huayuan Investments Co., Ltd*, collaborates with local state owned enterprises to establish 貴州燃氣（集團）天然氣支綫管道有限公司 Guizhou Gas (Group) Natural Gas Pipelines Co., Ltd* ("Guizhou Gas Pipelines") and expanded its footage into the operation, construction and management of pipelined gas in the Guizhou Province. At present, the pipelines are expected to meet natural gas demand of at least 90% of the Guizhou Province, connecting Guiyang, the China- Myanmar pipeline (中緬綫) and the Zhongwei pipeline (中衛綫). During the period, Guizhou Gas Pipelines has successfully completed the development and construction of the phase 1 of the pipelines and commenced the supply of natural gas between Zunyi (遵義) and Renhuai (仁懷).

Inspite the positive contribution from the foregoing investment, the collaboration (and the commencement of the supply of pipeline gas in Guizhou) has also contributed positively to the Group's sales of natural gas to its existing customers in Renhuai (including Kweichow Maotai and the white wine distilleries in and around the 仁懷名酒工業園 Renhuai Famous Wine Industrial

Park*), with improved margin and ability to provide sufficient LNG storage in meeting the gas consumption of the white wine distilleries in accordance with their production schedules. The continuous development of the Renhuai Famous Wine Industrial Park coupled with the expansion plan (and/or the conversion plan from coal energy to natural gas) of the existing retail customers are expected to have a positive impact on the Group's future profitability.

In addition, following the issuance of the 《廣東省綠色港口行動計劃(2014–2020)》"Action Plan for Green Ports in Guangdong Province (2014–2020)*" by the Communications Department of Guangdong Province in early 2014, proposing and recommending– the use of LNG (in place of gasoline) for transportation vehicles within the ports in the Guangdong Province, the Group has, leveraged on the management's network and experience reached preliminary understanding with local port owners and operators to collaborate as a strategic partner with technical know-how and as provider of natural gas/LNG. The proposed collaboration is expected to involve the constructions of vehicle refuelling stations and vessel refuelling stations in or around the port vicinity, thereby to supply the natural gas/LNG to high consumption LNG/natural gas users, such as the LNG tow barges, LNG vessels, trucks and other passing marine and road transportation vehicles. It is expected that the collaboration will contribute positively to the Group's business and financial performance in the mid to long term.

The Group will continue to leverage on its solid foundation to expand its sales and distribution channels through forming strategic alliances with established industry players/business partners. 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

The Group's operating results for the six months ended 30 September 2014 were primarily contributed by the production and sales of LNG and oil and gas transactions. As a result of the combination and the merger accounting treatment as explained above, the comparative figures for the six months ended 30 September 2013 have been restated to include results of the UHL Group for the same period.

Turnover

The Group's turnover for the period ended 30 September 2014 was approximately RMB4,353 million (Restated 2013 Comparative Figure: approximately 6,740 million). The drop in turnover was mainly attributable to the decline in the oil trading business which reported a turnover of approximately RMB3,238 million during the Period (Restated 2013 Comparative Figures: approximately RMB5,790 million).

Gross Profit

Gross profit for the period ended 30 September 2014 was approximately RMB132 million. The decrease in gross profit was primarily due to higher production cost for the production and sales of LNG business. The Group's gross profit margin for the six months ended 30 September 2014 increased marginally from approximately 2.6% (Restated for the period ended 30 September 2013) to approximately 3% due to contribution from the oil and gas transactions that commanded a marginally improved (though low) profit margin.

* *For identifications purpose only*

Distribution and Selling Expenses

Distribution and selling expenses increased from approximately RMB17 million for the period ended 30 September 2013 to approximately RMB18 million for the Period. The increase in distribution and selling expenses were in line with the increase in revenue from the production and sales of LNG business.

Administrative Expenses

The Group's administrative expenses for the period ended 30 September 2014 amounted to approximately RMB40 million, representing a decrease of approximately 2.6% as compared to the corresponding figures last period.

Finance Costs

The Group incurred finance costs of approximately RMB34 million during the Period (Restated 2013 Comparative Figures: approximately RMB23 million), representing an increase of approximately 47.7%. The increase was mainly due to the increase in trade finance used for sales of LNG business during the Period.

Income Tax Expenses

The Group is subjected to taxes in Hong and PRC due to its business operations in these jurisdictions. Income tax expenses has decreased by approximately 36.7% to approximately RMB15 million for the Period from approximately RMB23 million. The decrease was due to the decrease in profit before taxation.

Profit for the Period

As a result of the above, the Group recorded profit after tax for the Period for approximately RMB32.8 million (Restated 2013 comparative figures: approximately RMB73.9 million).

Working Capital Management

As at 30 September 2014, the Group maintained bank balances and cash of approximately RMB334 million (Restated as at 31 March 2014: approximately RMB322 million).

Liquidity, Financial Resources and Capital Structure

The net current liabilities of the Group as at 30 September 2014 were approximately RMB367 million (Restated as at 31 March 2014: approximately RMB393 million). The current ratio was approximately 0.86 (Restated as at 31 March 2014: approximately 0.87).

Notwithstanding the net current liabilities of the Group at 30 September 2014, the management are confident that the Group would have adequate funds to meet its obligation, as and when they fall due, having regard to the following:

(i) the Group has an undrawn facility amounting to approximately RMB87 million; and

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

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

As at 30 September 2014, the Group had borrowings of approximately RMB653 million which are due within one year and approximately RMB35 million which are repayable after one year.

The gearing ratio, which is debt-to-equity ratio, of the Group was approximately 0.96 compared to approximately 1.16 as at 31 March 2014.

Capital Expenditure on Property, Plant and Equipment

Capital expenditure for purchase of property, plant and equipment amounted to approximately RMB12.3 million (Restated 2013 Comparative Figures: approximately RMB20.8 million) for the Period.

Pledge of Assets

As at 30 September 2014, the Group pledged assets in aggregate amount of approximately RMB1,137 million (Restated as at 31 March 2014: approximately RMB998 million) to banks for banking facilities.

Capital Commitments

As at 30 September 2014, the capital expenditure commitments in respect of acquisition of property, plant and equipment contracted for but not provided in the financial information was approximately RMB2.3 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 2014, the Group had about 580 employees (Restated as at 31 March 2014: about 590). 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 2014, except for the deviations discussed below.

Code provision A.2.1

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

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

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

Code provision F.1.2

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

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 September 2014 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.hkex.com.hk under "Latest Listed Company Information" and on the company website at www.yuanhenggas.com. The interim report of the Company containing all the information required by the Listing Rules will be published on the above websites in due course.

ACKNOWLEDGEMENT

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

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

Hong Kong, 28 November 2014

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.