元亨燃氣
YUANHENG GAS

YUAN HENG GAS HOLDINGS LIMITED
元 亨 燃 氣 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 332)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2018

RESULTS

The Board of Directors (the "**Directors**") of Yuan Heng Gas Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2018, together with the comparative figures, as follows:

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

For the year ended 31 March 2018

	NOTES	**2018** *RMB'000*	2017 *RMB'000*
Turnover	*4*	**8,149,851**	7,972,843
Operating costs		**(7,888,643)**	(7,911,030)
Gross profit		**261,208**	61,813
Other income	*5*	**91,640**	12,099
Other gains and losses	*6*	**(1,878)**	(7,027)
Impairment loss on goodwill		—	(22,670)
Distribution and selling expenses		**(15,305)**	(10,994)
Administrative expenses		**(86,862)**	(72,666)
Share of results of associates		**(12,890)**	(9,359)
Finance costs	*7*	**(23,498)**	(42,524)
Profit (loss) before tax		**212,415**	(91,328)
Income tax expense	*8*	**(38,977)**	(13,919)

	NOTES	2018 RMB'000	2017 RMB'000
Profit (loss) for the year	*9*	**173,438**	(105,247)
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(11,014)**	505
Fair value gain on available-for-sale investment		**18,686**	—
Deferred tax related to items that may be reclassified		**(4,672)**	—
		3,000	505
Total comprehensive income (expense) for the year		**176,438**	(104,742)
Profit (loss) for the year attributable to:			
Owners of the Company		**142,060**	(84,591)
Non-controlling interests		**31,378**	(20,656)
		173,438	(105,247)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**145,060**	(84,086)
Non-controlling interests		**31,378**	(20,656)
		176,438	(104,742)
Earnings (loss) per share (RMB cents)	*10*		
— Basic		**2.18**	(1.48)
— Diluted		**2.17**	(1.48)

II. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	NOTE	**2018** *RMB'000*	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**753,846**	788,127
Prepaid lease payments		**38,732**	37,309
Goodwill		**34,070**	34,070
Intangible asset		**7,773**	8,166
Interests in associates		**143,672**	136,562
Long-term receivables		**122,717**	37,325
Deposit paid for acquisition of an associate		**190,748**	190,748
Deferred tax assets		**—**	576
Available-for-sale investment		**220,886**	202,200
		1,512,444	1,435,083
CURRENT ASSETS			
Inventories		**21,806**	26,784
Trade and other receivables	*11*	**1,669,895**	821,839
Prepaid lease payments		**1,479**	1,362
Long-term receivables due within one year		**62,915**	59,181
Amount due from an associate		**603**	—
Amounts due from non-controlling equity owners of subsidiaries		**1,204**	12,810
Amount due from a related party		**1,866**	1,878
Pledged bank deposits		**295,916**	186,099
Bank balances and cash		**50,073**	463,222
		2,105,757	1,573,175

	NOTE	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Trade payables and other liabilities	*12*	**1,398,295**	1,149,753
Amounts due to associates		**38,505**	12,949
Tax payable		**100,163**	56,915
Bank and other borrowings due within one year		**587,708**	415,708
Convertible bond		—	65,200
Embedded derivatives		—	15,547
		2,124,671	1,716,072
NET CURRENT LIABILITIES		**(18,914)**	(142,897)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,493,530**	1,292,186
CAPITAL AND RESERVES			
Share capital		**549,014**	549,014
Reserves		**780,048**	634,988
Equity attributable to owners of the Company		**1,329,062**	1,184,002
Non-controlling interests		**116,823**	79,645
TOTAL EQUITY		**1,445,885**	1,263,647
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**12,645**	4,539
Bank and other borrowings due after one year		**35,000**	24,000
		47,645	28,539
		1,493,530	1,292,186

III. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

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

The Group is principally engaged in the entering into oil and gas sales and purchase contracts with a number of counterparties. Starting from 16 May 2014, upon the completion of the Acquisition, the Group is also engaged in the production and sale of liquefied natural gas ("**LNG**"), sales of vehicle gas at refuelling station, sales of piped gas, LNG transportation and construction of gas pipeline infrastructure.

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

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Mr. Wang, the ultimate shareholder of the Company, has equity interest of 62.89% of the Vendor and has control over the Vendor. On 17 March 2014, the Group entered into a supplemental agreement ("**Supplemental SPA**") with the Vendor and the Vendor's shareholders pursuant to which the consideration of the Acquisition has been revised to approximately HK$3,068,246,000.

According to the Supplemental SPA, the total consideration of the Acquisition is satisfied by (i) cash consideration of HK$70,000,000 (equivalent to RMB55,595,000); (ii) HK$2,998,246,000 by procuring the Company to issue and allot to the Vendor's shareholders of a total 4,283,209,057 shares ("**Consideration Shares**") at an issue price of HK$0.70 per Consideration Share. During the year ended 31 March 2014, cash consideration of HK$70,000,000 (equivalent to RMB55,595,000) has been paid, which is deemed to be a distribution to shareholders.

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

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

Going concerns

In preparing the consolidated financial statements, the directors of the Company have given careful considerations to the future liquidity of the Group in light of the fact that as at 31 March 2018, its current liabilities exceeded its current assets by approximately RMB18,914,000. Taking into account of (i) the available loan facilities of RMB632,240,000, RMB214,276,000 and RMB120,000,000 with maturity up to September 2018, November 2018 and February 2019, and (ii) the issue of two-year secured guaranteed notes of HK$300,000,000 (equivalent to RMB247,772,000) in May 2018 with maturity up to April 2020, respectively, pursuant to the relevant facilities documents, the directors of the Company are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis.

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

Amendments to HKFRSs that are mandatorily effective for current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is required to provide.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendments Curtailment or Settlements[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

4. SEGMENT INFORMATION

The Group is organised into business units based on the types of customers and methods used to distribute their products and provide their services, based on which information is prepared and reported to the chief operating decision maker ("**CODM**"), the executive 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, damages claim from deposit paid for acquisition of an associate, reversal of impairment loss recognised, gain (loss) on fair value change of embedded derivatives, finance costs, 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 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 station, sales of piped gas, LNG transportation and construction of gas pipeline infrastructure

Segment turnover and results

	Production and sales of LNG *RMB'000*	**Oil and gas transactions** *RMB'000*	**Other operations** *RMB'000*	**Total** *RMB'000*
Year ended 31 March 2018				
Segment turnover from external customers	**1,596,081**	**6,333,651**	**220,119**	**8,149,851**
Intra-segment turnover	**585,323**	**—**	**—**	**585,323**
Segment turnover	**2,181,404**	**6,333,651**	**220,119**	**8,735,174**
Elimination				**(585,323)**
Total turnover				**8,149,851**
Segment results	**120,522**	**30,742**	**11,795**	**163,059**
Interest income				**72,007**
Damages claim from deposit paid for acquisition of an associate				**19,075**
Reversal of impairment loss recognised				**6,716**
Gain on fair value change of embedded derivatives				**14,939**
Share of results of associates				**(12,890)**
Finance costs				**(23,498)**
Unallocated corporate income and expenses				**(26,993)**
Profit before tax				**212,415**

	Production and sales of LNG *RMB'000*	Oil and gas transactions *RMB'000*	Other operations *RMB'000*	Total *RMB'000*
Year ended 31 March 2017				
Segment turnover from external customers	1,610,135	6,182,859	179,849	7,972,843
Intra-segment turnover	85,416	—	—	85,416
Segment turnover	1,695,551	6,182,859	179,849	8,058,259
Elimination				(85,416)
Total turnover				7,972,843
Segment results	(54,793)	3,208	9,768	(41,817)
Interest income				6,243
Share of results of associates				(9,359)
Finance costs				(42,524)
Gain on bargain purchase				339
Loss on fair value change of embedded derivatives				(1,775)
Unallocated corporate expenses				(2,435)
Loss before tax				(91,328)

Segment assets and liabilities

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.

5. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Interest income from		
— banks	**1,956**	2,730
— long-term receivables	**3,734**	3,513
— deposit paid for acquisition of an associate	**66,317**	—
	72,007	6,243
Damages claim from deposit paid for acquisition of an associate	**19,075**	—
Government grant *(note)*	**—**	5,000
Others	**558**	856
	91,640	12,099

Note: The Group is entitled to a government grant of RMB5,000,000 during the year ended 31 March 2017 as an incentive for locating the principal office of a Group's subsidiary with a certain amount of paid-up capital in Guangzhou City.

6. OTHER GAINS AND LOSSES

	2018	2017
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	**38**	5
Net foreign exchange loss	**(23,571)**	(5,596)
Gain (loss) on fair value change of embedded derivatives	**14,939**	(1,775)
Reversal of impairment loss recognised on amount due from an associate	**6,716**	—
Gain on bargain purchase arising from acquisition of a subsidiary	**—**	339
	(1,878)	(7,027)

7. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**17,937**	33,369
Interest on convertible bond	**5,699**	9,538
Interest on finance leases	**—**	59
Total interest charges	**23,636**	42,966
Less: Amount capitalised in construction in progress *(note)*	**(138)**	(442)
	23,498	42,524

Note: The borrowing costs have been capitalised at a rate of 5.23% per annum for the year ended 31 March 2018 (2017: 6.6%).

8. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
The charge comprises:		
Hong Kong Profits Tax		
— Current year	**495**	1,164
PRC Enterprise Income Tax ("**EIT**")		
— Current year	**34,472**	3,973
— Underprovision in prior years	**—**	1
	34,472	3,974
Deferred taxation		
— Current year	**4,010**	8,781
	38,977	13,919

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

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

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

Xingxing Energy was registered with the local tax authority to be eligible for the reduced 15% enterprise income tax rate from 2013 to 2020. Accordingly, Xingxing Energy is eligible for the EIT of 15% (2017: 15%).

Huixin Energy was registered with the local tax authority to be eligible for the reduced 15% enterprise income tax rate from 2012 to 2020. Accordingly, Huixin Energy is eligible for the EIT of 15% (2017: 15%).

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

9. PROFIT (LOSS) FOR THE YEAR

	2018	2017
	RMB'000	*RMB'000*
Profit (loss) for the year has been arrived at after charging:		
Auditors' remuneration	**1,900**	1,800
Amortisation of intangible asset (included in administrative expense)	**393**	393
Amortisation of prepaid lease payments	**1,389**	1,362
Depreciation of property, plant and equipment	**60,293**	66,978
Directors' emoluments	**4,139**	4,160
Operating lease payment in respect of office premises	**1,397**	3,047
Salaries and other benefits	**48,379**	43,920
Retirement benefits schedule contributions	**7,280**	5,083
Total staff costs (excluding directors' emoluments)	**55,659**	49,003

10. EARNING (LOSS) PER SHARE

The calculation of the basic and diluted earnings (2017: loss) per share for the year is based on the following data:

Earnings (loss) figures are calculated as follows:

	2018	2017
	RMB'000	*RMB'000*
Earnings (loss) for the purpose of basic and diluted earnings per share	**142,060**	(84,591)

Number of shares

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**6,518,339**	5,718,945
Effect of dilutive potential ordinary shares:		
— issue of consideration shares	**27,291**	—
Weighted average number of ordinary shares for the purpose of dilutive earnings (loss) per share	**6,545,630**	5,718,945

The computation of diluted earnings per share for the year ended 31 March 2018 did not assume the conversion of the Company's outstanding convertible bond since their exercise would not result in a decrease in earnings per share.

The computation of diluted loss per share for the year ended 31 March 2017 did not assume the conversion of the Company's outstanding convertible bond and issue of consideration shares since their exercises would not result in an increase in loss per share.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**1,084,114**	405,645
Bills receivables	**—**	735
Other receivables	**16,330**	13,081
Prepayments	**569,451**	402,378
	1,669,895	821,839

The Group generally requires prepayments made by customers before delivery of goods or provision of services, except for certain customers to which the Group allows an average credit period of 30 to 90 days. The Group also allows customers to settle the trade receivables before the end of credit period or to make prepayments to the Group by bills receivables.

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

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

	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**485,640**	373,365
31–90 days	**595,137**	991
91–180 days	**681**	2,688
Over 180 days	**2,656**	28,601
	1,084,114	405,645

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

	2018	2017
	RMB'000	*RMB'000*
Within three months	**—**	735

12. TRADE PAYABLES AND OTHER LIABILITIES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**675,819**	309,911
Bills payables	**533,140**	593,664
Other payables	**41,492**	44,861
Other tax payables	**22,787**	18,157
Consideration payable	**16,735**	16,735
Receipts in advance	**107,103**	155,940
Compensation payable	**915**	10,255
Payroll payables	**304**	230
	1,398,295	1,149,753

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

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**671,615**	303,401
91–180 days	**1,064**	2,643
181–365 days	**389**	1,945
Over 1 year	**2,751**	1,922
	675,819	309,911

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

	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**487,140**	233,600
91-180 days	**—**	360,064
Over 181 days	**46,000**	—
	533,140	593,664

13. DIVIDENDS

The Board of Directors did not recommend the payment of a final dividend for year ended 31 March 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP FINANCIAL REVIEW

BUSINESS REVIEW

Group results

For the year ended 31 March 2018 and at present, the Group has been principally engaged in (i) trading of oil and gas products and the provision of related consultancy services; and (ii) processing, distribution, sales, trading and transportation of LNG and other auxiliary operations and networks in the PRC.

For the year ended 31 March 2018, the Group recorded consolidated turnover of approximately RMB8,150 million (2017: approximately RMB7,973 million) with profit after tax of approximately RMB173 million (2017: loss of approximately RMB105 million). The Group's performance for the year ended 31 March 2018 was contributed mainly by the production and sales of LNG and the trading of oil and gas business.

The Group's financial results achieved turnaround from a loss last year to a profit this year is mainly due to supply side structural reform in natural gas market and optimization of energy market (as further elaborated under the sections headed "**Production and sales of LNG**" and "**Oil and gas transactions**").

Production and sales of LNG

During the year, the Group produced approximately 447 million cubic meters of LNG, representing an increase of approximately 6 million cubic meters or 1.4% compared with the last year. The turnover from the sales of LNG business for the year ended 31 March 2018 was approximately RMB1,596 million representing a decrease of approximately RMB14 million or 0.9% compared with the last year, contributing approximately 19.6% of the total turnover of the Group. Gross profit, increased by approximately RMB202 million to approximately RMB221 million (2017: approximately RMB19 million), gross profit margin, increase from approximately 1.2% to approximately 13.9%.

The significant increase in gross profit margin for the year ended 31 March 2018 was predominantly due to (i) the implementation of the "coal to gas" policy with the promotion of the utilization of natural gas lead to a rapid growth in the consumption demand for natural gas in China; and (ii) the continuous accelerating the supply-side structure reform (e.g. pricing) by the PRC government.

Oil and gas transactions

During the year, revenue arising from oil and gas transactions increased to approximately RMB6,334 million from approximately RMB6,183 million, representing an increase of approximately RMB151 million or 2.4% compared with the last year, contributing approximately 77.7% of the total turnover of the Group. Gross profit, however, decreased to approximately RMB15 million from approximately RMB22 million, with gross profit margin decreased from approximately 0.4% to approximately 0.2% as a result of the fluctuation of oil and gas prices at the industry low range.

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 year ended 31 March 2018 was approximately RMB8,150 million (2017: approximately RMB7,973 million). The increase in turnover was mainly attributable to the increase in the revenue from the oil and gas transaction of which reported a turnover of approximately RMB6,334 million during the year ended 31 March 2018 (2017: approximately RMB6,183 million).

Gross Profit

Gross profit for the year ended 31 March 2018 was approximately RMB261 million (2017: approximately RMB62 million). The increase in gross profit was primarily due to the increase of LNG price. Accordingly, the Group's gross profit margin for the year ended 31 March 2018 increased from approximately 0.8% (year ended 31 March 2017) to approximately 3.2%.

Other Income

Other income for the year ended 31 March 2018 was approximately RMB92 million (2017: approximately RMB12 million). The increase in other income is mainly due to the interest income and non-recurring damages claim from deposit paid for acquisition of an associate.

Administrative Expenses

The Group's administrative expenses for the year ended 31 March 2018 amounted to approximately RMB87 million (2017: approximately RMB73 million), representing an increase of approximately 19.5% as compared to the previous year. The increase was due to the suspension of LNG production plant resulted from control of gas supply from upstream supplier which part of the fixed production costs (i.e. labour salaries and deprecation etc.) were treated as administrative expenses in the suspension period.

Finance Costs

The Group incurred finance costs of approximately RMB23 million during the year ended 31 March 2018 (2017: approximately RMB43 million), representing a decrease of approximately 44.7%. The decrease was mainly due to the redemption of the convertible bond and repayment of part of bank borrowings during the year.

Income Tax Expenses

The Group is subjected to taxes in Hong Kong and the PRC due to its business operations in these jurisdictions. For the year ended 31 March 2018, income tax expenses of the Group approximately RMB39 million (2017: approximately RMB14 million). The increase was mainly due to an increase in the taxable income.

Liquidity, Financial Resources and Capital Structure

As at 31 March 2018, the Group maintained bank balances and cash of approximately RMB50 million (2017: approximately RMB463 million).

The net current liabilities of the Group as at 31 March 2018 were approximately RMB19 million, representing a decrease of approximately RMB124 million compared with the last year (2017: approximately RMB143 million). The current ratio was approximately 0.99 (2017: approximately 0.92).

Notwithstanding the net current liabilities of the Group at 31 March 2018, the management are confident that the Group would have adequate funds to meet its obligation, as and when they fall due, having regard to the following:

(i) the available loan facilities of RMB632 million, RMB214 million and RMB120 million with maturity up to September 2018, November 2018 and February 2019, respectively; and

(ii) the issue of two-year secured guaranteed notes of HK$300 million (equivalent to RMB243 million) in May 2018 with maturity up to April 2020.

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

As at 31 March 2018, the Group had borrowings of approximately RMB588 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 0.4 as at 31 March 2018 compared to approximately 0.4 as at 31 March 2017.

Capital Expenditure on Property, Plant and Equipment

Capital expenditure for purchase of property, plant and equipment amounted to approximately RMB26 million (2017: approximately RMB18 million) for the year ended 31 March 2018.

Pledge of Assets

As at 31 March 2018, the Group had pledged assets in an aggregate amount of approximately RMB765 million (2017: approximately RMB717 million) to banks for banking facilities.

Capital Commitments

As at 31 March 2018, the Group had no material capital commitments.

Contingent liabilities

As at 31 March 2018, the Group issued financial guarantee to the banks in respect of bank loans obtained by associates of RMB135 million (2017: RMB135 million), representing the amount that could be required to be paid if the guarantee was called upon in entirety by the bank.

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

Employee Information

As at 31 March 2018, the Group had about 450 employees (2017: about 470). The remuneration packages are generally structured with reference to market conditions and individual qualifications. Salaries and wages of the Group's employees are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions set out in the Code on Corporate Governance Practices (the "**CG Code**") in Appendix 14 of the Listing Rules throughout the year ended 31 March 2018, except for the deviations discussed below.

Code provision A.2.1

Pursuant to A.2.1 of the Code, the roles of chairman and chief executive officer ("**CEO**") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Wang Jianqing ("**Mr. Wang**") is the chairman of the Company since 27 January 2011 and was appointed the CEO of the Company on 15 September 2011. The Board considers that Mr. Wang possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategies. Through the supervision of the Board and the audit committee, balance of power and authority can be ensured and there is no imminent need to change the arrangement.

Code provision F.1.2

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

AUDIT COMMITTEE

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 March 2018. The Audit Committee comprises three independent non-executive directors, namely, Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions (the "**Model Code**"). Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard set out in the Model Code throughout the year ended 31 March 2018.

DEALING IN COMPANY'S LISTED SECURITIES

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

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

Hong Kong, 29 June 2018

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.