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 2018

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 2018 (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	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**3,816,393**	4,289,932
Operating costs	*4*	**(3,715,219)**	(4,218,060)
Gross profit		**101,174**	71,872
Other income	*5*	**25,492**	72,521
Other gains and losses		**8,400**	3,267
Distribution and selling expenses		**(6,096)**	(3,705)
Administrative expenses		**(43,392)**	(32,030)
Share of results of associates		**(9,183)**	(5,694)
Finance costs		**(42,170)**	(17,872)
Profit before tax	*7*	**34,225**	88,359
Income tax expense	*8*	**(11,031)**	(20,989)

	Notes	Six months ended 30 September	
		2018	2017
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Profit for the period		**23,194**	67,370
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**289**	(841)
Fair value loss on available-for-sale investment		**(18,686)**	—
Deferred tax related to items that may be reclassified		**4,672**	—
		(13,725)	(841)
Total comprehensive income for the period		**9,469**	66,529
Profit for the period attributable to:			
Owners of the Company		**16,000**	59,062
Non-controlling interests		**7,194**	8,308
		23,194	67,370
Total comprehensive income attributable to:			
Owner of the Company		**2,275**	58,221
Non-controlling interests		**7,194**	8,308
		9,469	66,529
Earnings per share (RMB cents)	*10*		
— Basic		**0.245**	0.906
— Diluted		**0.245**	0.906

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2018 RMB'000 (Unaudited)	As at 31 March 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**732,440**	753,846
Prepaid lease payments		**37,792**	38,732
Goodwill		**34,070**	34,070
Intangible asset		**7,574**	7,773
Interests in associates		**134,489**	143,672
Long-term receivable		**150,389**	122,717
Deposits paid for acquisition of an associate		**190,748**	190,748
Available-for-sale investment		**202,200**	220,886
		1,489,702	1,512,444
CURRENT ASSETS			
Inventories		**24,573**	21,806
Trade and other receivables	*11*	**3,005,464**	1,669,895
Prepaid lease payments		**1,613**	1,479
Long-term receivable due within one year		**—**	62,915
Amount due from an associate		**—**	603
Amounts due from non-controlling equity owners of subsidiaries		**1,204**	1,204
Amount due from a related party		**—**	1,866
Pledged bank deposits		**338,602**	295,916
Bank balances and cash		**31,429**	50,073
		3,402,885	2,105,757

	Notes	As at 30 September 2018 RMB'000 (Unaudited)	As at 31 March 2018 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	*12*	**2,079,219**	1,398,295
Amounts due to associates		**22,672**	38,505
Amount due to a related company		**98,170**	—
Tax payable		**106,734**	100,163
Bank and other borrowings due within one year	*14*	**827,462**	587,708
		3,134,257	2,124,671
NET CURRENT ASSETS (LIABILITIES)		**268,628**	(18,914)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,758,330**	1,493,530
CAPITAL AND RESERVES			
Share capital	*15*	**551,378**	549,014
Reserves		**797,159**	780,048
Equity attributable to owners of the Company		**1,348,537**	1,329,062
Non-controlling interests		**124,017**	116,823
TOTAL EQUITY		**1,472,554**	1,445,885
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**9,685**	12,645
Bank and other borrowings due after one year	*14*	**276,091**	35,000
		285,776	47,645
		1,758,330	1,493,530

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*	(Accumulated losses) retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 April 2017 (audited)	549,014	4,452,014	(3,775,606)	28,255	27,714	—	3,124	(100,513)	1,184,002	79,645	1,263,647
Profit (loss) for the period	—	—	—	—	—	—	—	59,062	59,062	8,308	67,370
Other comprehensive income for the period	—	—	—	—	—	—	(841)	—	(841)	—	(841)
Total comprehensive income (expense) for the period	—	—	—	—	—	—	(841)	59,062	58,221	8,308	66,529
Capital injection by non-controlling interests	—	—	—	—	—	—	—	—	—	5,800	5,800
Transfer to designated safety fund	—	—	—	—	6,130	—	—	(6,130)	—	—	—
At 30 September 2017 (unaudited)	549,014	4,452,014	(3,775,606)	28,255	33,844	—	2,283	(47,581)	1,242,223	93,753	1,335,976
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 expense for the period	**—**	**—**	**—**	**—**	**—**	**(14,014)**	**289**	**—**	**(13,725)**	**—**	**(13,725)**
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**—**	**(14,014)**	**289**	**16,000**	**2,275**	**7,194**	**9,469**
Issue of shares as consideration for an associate	**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**

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	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(648,016)**	(360,453)
Net cash from (used in) investing activities	**59,139**	(31,891)
Net cash from (used in) financing activities	**569,938**	(22,208)
Net decrease in cash and cash equivalents	**(18,939)**	(414,552)
Cash and cash equivalents at 1 April	**50,073**	463,222
Effect of foreign exchange rate changes, net	**295**	(835)
Cash and cash equivalents at 30 September	**31,429**	47,835

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 RMB16,000,000 for the six months ended 30 September 2018 (for the six months ended 30 September 2017: RMB59,062,000) and as at 30 September 2018 the Group had net current assets of approximately RMB268,628,000 (As at 31 March 2018: net current liabilities of approximately RMB18,914,000).

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 2018, 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 9	*Financial Instruments;*
HKFRS 15	*Revenue from Contacts with Customers and the related Amendments;*
HK(IFRIC) — Int 22	*Foreign Currency Transactions and Advance Consideration;*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions;*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts;*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014–2016 Cycle; and*
Amendments to HKAS 40	*Transfers of Investment Property.*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(i) HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group's major sources of revenue are revenue from the production and sales of LNG and the trading of oil and gas business.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference as at the date of initial application has been recognised as an adjustment to the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and the related interpretations.

(a) Key changes in accounting policies resulting from the application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognizing revenue:

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards the satisfaction of the relevant performance obligation if any one of the following criteria is met:

(1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(2) the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

(3) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the associated good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(b) Summary of effects arising from the application of HKFRS 15

The application of HKFRS 15 has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

(ii) HKFRS 9 Financial Instruments

In the current period, the Group has applied expected credit losses ("**ECL**") model for financial assets in accordance with HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applying the relevant requirements (other than those early adopted by the Group in previous year) retrospectively to instruments that have not been derecognised as at 1 April 2018 (the date of initial application) and not applying the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained earnings, without restating comparative information.

(a) Key changes in accounting policies resulting from application of HKFRS 9 Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

(b) Summary of effects arising from the application of HKFRS 9

The application of HKFRS 9 does not have any material impact on the interim financial position or performance of the Group.

3. TURNOVER

	Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The Group's turnover includes:		
Gross proceeds from oil and gas sales contracts *(note)*	**2,512,882**	2,787,839
Revenue from sales of goods		
— Wholesale of LNG	**1,166,640**	1,407,928
— Vehicle gas refuelling stations	**5,528**	7,222
— Sales of piped gas	**123,333**	80,562
Revenue from provision of services		
— LNG transportation	**7,721**	5,317
— Construction of gas pipeline infrastructure	**—**	1,064
— Sales commission	**289**	—
	3,816,393	4,289,932

Note: The net income from oil and gas contracts for the period is RMB12,175,000 (six months ended 30 September 2017: RMB5,833,000) which is derived from the gross proceeds from oil and gas sales contracts of RMB2,512,882,000 (six months ended 30 September 2017: RMB2,787,839,000) minus the gross amounts of oil and gas purchase contracts of RMB2,500,707,000 (six months ended 30 September 2017: RMB2,782,006,000).

4. OPERATING COSTS

	Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The Group's operating costs includes:		
Gross amount from oil and gas purchase contracts	**2,500,707**	2,782,006
Cost of sales of goods	**1,208,489**	1,424,751
Cost of provision of services	**6,023**	11,303
	3,715,219	4,218,060

5. OTHER INCOME

	Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from:		
— banks	**2,644**	1,143
— long-term receivables	**—**	1,756
— deposits paid for acquisition of an associate *(note a)*	**22,848**	43,612
	25,492	46,511
Impairment loss reversed in respect of a receivable	**—**	6,716
Damages claim *(note b)*	**—**	19,075
Others	**—**	219
	25,492	72,521

Note a: 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.

Note b: The amount represents the damages for breach of the relevant agreements according to the Cooperation Agreement.

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	Vehicle gas refuelling stations, sales of piped gas, LNG transportation, construction of gas pipeline infrastructure

Segments turnover and results

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)
Segment turnover from external customers	**1,166,640**	**2,512,882**	**136,871**	**3,816,393**
Inter-segment turnover	**73,454**	**—**	**—**	**73,454**
Segment turnover	**1,240,094**	**2,512,882**	**136,871**	**3,889,847**
Elimination				**(73,454)**
Total turnover				**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**

For the six months ended 30 September 2017

	Production and sales of LNG	Oil and gas transactions	Others operations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment turnover from external customers	1,407,928	2,787,839	94,165	4,289,932
Inter-segment turnover	123,065	—	—	123,065
Segment turnover	1,530,993	2,787,839	94,165	4,412,997
Elimination				(123,065)
Total turnover				4,289,932
Segment results	44,800	3,018	18,654	66,472
Interest income				46,511
Share of result of associates				(5,694)
Finance costs				(17,872)
Unallocated corporate expenses				(1,058)
Profit before tax				88,359

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						Non-current assets*	
	Production and sales of LNG		Oil and gas transactions		Other operations			
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		As at 30 September	As at 31 March
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2018
	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	**1,166,640**	1,407,928	**—**	—	**136,871**	94,165	**1,136,718**	1,168,828
Singapore	**—**	—	**2,512,882**	2,787,839	**—**	—	**—**	—
Hong Kong		—	**—**	—	**—**	—	**395**	13
	1,166,640	1,407,928	**2,512,882**	2,787,839	**136,871**	94,165	**1,137,113**	1,168,841

* *Non-current assets exclude financial instruments*

7. PROFIT BEFORE TAX

	Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	**197**	198
Amortisation of prepaid lease payments	**806**	500
Cost of inventories recognised as an expense	**1,208,489**	1,424,751
Depreciation of property, plant and equipment	**32,126**	30,839
Directors' emoluments	**1,698**	1,873
Operating lease payment in respect of office premises	**1,439**	1,336
Salaries and other benefits	**14,997**	14,590
Retirement benefits contributions	**3,360**	2,212
Total staff costs (excluding directors' emoluments)	**18,357**	16,802
Exchange gain (loss)	**8,400**	(8,967)
Gain on fair value change of embedded derivatives	**—**	12,234
Other gains	**8,400**	3,267

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The charge comprises:		
Current taxation		
Hong Kong	**—**	363
PRC Enterprise Income Tax ("**EIT**")	**9,322**	18,463
	9,322	18,829
Deferred taxation		
Current year	**1,709**	2,163
	11,031	20,989

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

PRC EIT has been provided at the applicable income tax rate of 25% on the assessable profits of the companies comprising the Group during the periods, except for certain subsidiaries of the Group, namely, 鄂爾多斯市星星能源有限公司 ("**Xingxing Energy**"), 達州市匯鑫能源有限公司 ("**Huixin Energy**") and 貴州華亨能源投資有限公司 ("**Huaheng Energy**") which are taxed at concessionary rate in 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% (2017: 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% (2017: 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 2018 is based on the profit attributable to owners of the Company of approximately RMB16,000,000 (for the six months ended 30 September 2017: approximately RMB59,062,000) and the weighted average number of 6,528,382,392 (as at 30 September 2017: 6,518,338,952) 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 2018.

The computation of diluted earnings per share for the six months ended 30 September 2017 does not assume the conversion of the Company's outstanding convertible bond since their exercise would not result in a decrease in earnings per share.

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 RMB'000 (Unaudited)	As at 31 March 2018 RMB'000 (Audited)
Trade receivables	**1,951,832**	1,084,114
Other receivables	**8,602**	16,330
Prepayments	**1,045,030**	569,451
	3,005,464	1,669,895

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 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.

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 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 2018 RMB'000 (Unaudited)	As at 31 March 2018 RMB'000 (Audited)
Within 30 days	**394,302**	485,640
31–90 days	**487,483**	595,137
91–180 days	**705,584**	681
Over 180 days	**364,463**	2,656
	1,951,832	1,084,114

12. TRADE AND OTHER PAYABLES

	As at 30 September 2018 *RMB'000* (Unaudited)	As at 31 March 2018 *RMB'000* (Audited)
Trade payables	**937,481**	675,819
Bills payables	**711,705**	533,140
Other payables	**71,150**	82,233
Receipts in advance	**358,883**	107,103
	2,079,219	1,398,295

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 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 2018 *RMB'000* (Unaudited)	As at 31 March 2018 *RMB'000* (Audited)
Within 90 days	**511,447**	671,615
91–180 days	**423,720**	1,064
181–365 days	**136**	389
Over 1 years	**2,178**	2,751
	937,481	675,819

13. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately RMB10,720,000 (for the six months ended 30 September 2017: approximately RMB1,156,000) on property, plant and equipment.

14. BANK AND OTHER BORROWING

During the current interim period, the Group obtained new bank and other loans amounting to approximately RMB872 million (for the six months ended 30 September 2017: approximately RMB147 million). The loans carry interest at fixed/variable market rates of 3.73%–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 RMB391 million (for the six months ended 30 September 2017: approximately RMB263 million).

15. SHARE CAPITAL

	Number of shares	**Share capital**
	'000	*'000*
Shares of HK$0.10 each		
Authorised:		
As at 1 April 2017 (audited), 31 March 2018 (audited) and 30 September 2018 (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
30 September 2018 (unaudited)	6,545,621	RMB551,378

16. RELATED PARTIES TRANSACTIONS

	Six months ended 30 September	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Purchase of oil and gas contract from related parties	**122,699**	—
Purchase LNG from an associate	**97,800**	72,940

DIVIDEND

The Board of Directors have resolved not to declare an interim dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

BUSINESS REVIEW

Group results

During the period from 1 April 2018 to 30 September 2018 (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 RMB3,816 million (six months ended 30 September 2017: approximately RMB4,290 million) with profit after tax of approximately RMB23 million (six months ended 30 September 2017: approximately RMB67 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 230,000,000 cubic meters of LNG, representing a decrease of approximately 24,800,000 cubic meters or 9.7% compared with the same period of last year. The turnover from the sales of LNG business for the Period was approximately RMB1,167 million, representing a decrease of approximately RMB241 million or 17.1% compared with the same period of last year, contributing approximately 30.6% of the total turnover of the Group. Moreover, gross profit increased by approximately RMB14 million to approximately RMB77 million (six months ended 30 September 2017: approximately RMB63 million), with gross profit margin increased from approximately 4.4% to approximately 6.6%.

The improve in the gross profit margin was predominantly due to (i) the implementation of China's air pollution control action plan, in particular the shift from coal to gas lead to a steady 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 Period, revenue arising from oil and gas transactions declined to approximately RMB2,513 million from approximately RMB2,788 million, representing a decrease of approximately RMB275 million or 9.9% from the six month ended 30 September 2017. Gross profit, however, increased to approximately RMB12 million from approximately RMB6 million, with gross profit margin increased from approximately 0.21% to approximately 0.48% as a result of the steady growth in international oil prices.

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 2018 was approximately RMB3,816 million (six months ended 30 September 2017: approximately RMB4,290 million). The decrease in turnover was mainly attributable to the decrease in revenue from the oil and gas transaction which reported a turnover of approximately RMB2,513 million during the Period (six months ended 30 September 2017: approximately RMB2,788 million).

Gross Profit

Gross profit for the period ended 30 September 2018 was approximately RMB101 million (six months ended 30 September 2017: approximately RMB72 million). The increase in gross profit was primarily due to the increase of the LNG price. The Group's gross profit margin for the six months ended 30 September 2018 increased from approximately 1.7% (six months ended 30 September 2017) to approximately 2.7%.

Other Income

Other income for the period ended 30 September 2018 was approximately RMB25 million (six months ended 30 September 2017: approximately RMB73 million). The decrease in other income is mainly due to the arbitral award received by the Group on 9 November 2017 which resulted in recognition of an interest income of approximately RMB43,612,000 and the damages claim of approximately RMB19,075,000 in prior period.

Administrative Expenses

The Group's administrative expenses for the period ended 30 September 2018 amounted to approximately RMB43 million (six months ended 2017: approximately RMB32 million). The increase in administrative expenses is mainly due to the increase in the labour cost and the suspension of LNG production plant resulted from periodic maintenance which part of the fixed production costs (i.e. labour salaries and deprecation etc.) were treated as administrative expenses in the maintenance period.

Finance Costs

The Group incurred finance costs of approximately RMB42 million during the Period (six months ended 30 September 2017: approximately RMB18 million), representing an increase of approximately 136%. The increase was mainly due to the increase in bank and other borrowings.

Income Tax Expenses

For the period ended 30 September 2018, income tax expenses of the Group approximately RMB11 million (six months ended 2017: approximately RMB21 million) represent a decrease of approximately RMB10 million. The decrease was mainly due to a decrease in the taxable income.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2018, the Group's cash and bank deposits, comprising bank balances and cash and pledged bank deposits, were RMB370 million, representing an increase of RMB24 million, from RMB346 million as at 31 March 2018.

As at 30 September 2018, the Group had borrowings of approximately RMB827 million which are due within one year and approximately RMB276 million which are repayable after one year.

The gearing ratio, which is debt-to-equity ratio, of the Group was approximately 0.7 compared to approximately 0.4 as at 31 March 2018.

Capital Expenditure on Property, Plant and Equipment

Capital expenditure for purchase of property, plant and equipment amounted to approximately RMB11 million (six months ended 30 September 2017: approximately RMB1 million) for the Period.

Pledge of Assets

As at 30 September 2018, the Group pledged assets in aggregate amount of approximately RMB773 million (31 March 2018: approximately RMB765 million) to banks for banking facilities.

Capital Commitments

As at 30 September 2018, the Group had no material capital commitments.

Contingent Liabilities

As at 30 September 2018, 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 RMB135 million (31 March 2018: 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 2018, the Group had about 420 employees (31 March 2018: about 450). 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 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.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 September 2018 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, 30 November 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.