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 2016

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 2016 (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	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	3	**3,821,558**	2,750,035
Operating costs	4	**(3,793,259)**	(2,704,503)
Gross profit		**28,299**	45,532
Other income	5	**26,005**	51,578
Other gains and losses		**4,863**	(408)
Distribution and selling expenses		**(4,269)**	(3,844)
Administrative expenses		**(31,283)**	(56,105)
Share of results of associates		**(1,899)**	(2,915)
Finance costs		**(20,807)**	(17,802)
Profit before taxation	7	**909**	16,036
Income tax credit (expense)	8	**910**	(10,045)

	Notes	Six months ended 30 September **2016** ***RMB'000*** **(Unaudited)**	2015 *RMB'000* (Unaudited)
Profit for the period		**1,819**	5,991
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**413**	334
Total comprehensive income for the period		**2,232**	6,325
Profit(loss) for the period attributable to:			
Owners of the Company		**4,957**	20,059
Non-controlling interests		**(3,138)**	(14,068)
		1,819	5,991
Total comprehensive income(expense) attributable to:			
Owner of the Company		**5,370**	20,393
Non-controlling interests		**(3,138)**	(14,068)
		2,232	6,325
Earnings per share (RMB cents)	10		
– Basic		**0.087**	0.38
– Diluted		**0.087**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 September 2016 RMB'000 (Unaudited)	As at 31 March 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**806,855**	837,086
Prepaid lease payments		**37,813**	38,671
Goodwill		**56,740**	56,740
Intangible asset		**8,361**	8,559
Interests in associates		**109,521**	111,421
Long-term receivable		**62,562**	60,806
Deferred tax assets		**9,982**	4,818
Deposits for property, plant and equipment under finance lease		**–**	847
		1,091,834	1,118,948
CURRENT ASSETS			
Inventories		**27,830**	26,181
Trade and other receivables	11	**1,473,081**	1,554,880
Prepaid lease payments		**1,362**	1,362
Long-term receivable due within one year		**–**	27,006
Amount due from a non-controlling equity owner of a subsidiary		**967**	2,904
Amounts due from related parties		**14**	480
Tax recoverable		**132**	–
Pledged bank deposits		**200,842**	289,915
Cash and cash equivalents		**70,290**	61,129
		1,774,518	1,963,857

	Notes	As at 30 September 2016 RMB'000 (Unaudited)	As at 31 March 2016 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	12	**1,649,635**	1,871,261
Amount due to an associate		**12,473**	3,203
Amount due to a non-controlling equity owner of a subsidiary		**10,075**	10,000
Tax payable		**55,764**	62,349
Bank and other borrowings due within one year	14	**157,000**	131,282
Obligations under finance leases		**1,275**	1,115
		1,886,222	2,079,210
NET CURRENT LIABILITIES		**(111,704)**	(115,353)
TOTAL ASSETS LESS CURRENT LIABILITIES		**980,130**	1,003,595
CAPITAL AND RESERVES			
Share capital	15	**475,031**	475,031
Reserves		**303,593**	298,237
Equity attributable to owners of the Company		**778,624**	773,268
Non-controlling interests		**102,194**	105,332
TOTAL EQUITY		**880,818**	878,600
NON-CURRENT LIABILITIES			
Bank and other borrowings due after one year	14	**32,000**	56,000
Convertible bond		**58,536**	56,054
Embedded derivatives		**8,776**	12,941
		99,312	124,995
		980,130	1,003,595

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 losses) retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 April 2015 (audited)	443,282	3,872,431	(3,775,606)	17,149	11,360	2,202	1,862	572,680	141,802	714,482
Profit (loss) for the period	–	–	–	–	–	–	20,059	20,059	(14,068)	5,991
Other comprehensive income for the period	–	–	–	–	–	334	–	334	–	334
Total comprehensive income (expense) for the period	–	–	–	–	–	334	20,059	20,393	(14,068)	6,325
Dividend	–	–	–	–	–	–	–	–	(3,000)	(3,000)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(3,300)	(3,300)
Transfer to statutory surplus reserve	–	–	–	228	–	–	(228)	–	–	–
Transfer to designated safety fund	–	–	–	–	7,642	–	(7,642)	–	–	–
At 30 September 2015 (unaudited)	443,282	3,872,431	(3,775,606)	17,377	19,002	2,536	14,051	593,073	121,434	714,507
At 1 April 2016 (audited)	**475,031**	**4,031,177**	**(3,775,606)**	**27,108**	**20,328**	**2,619**	**(7,389)**	**773,268**	**105,332**	**878,600**
Profit (loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**4,957**	**4,957**	**(3,138)**	**1,819**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**413**	**–**	**413**	**–**	**413**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**–**	**413**	**4,957**	**5,370**	**(3,138)**	**2,232**
Transfer to designated safety fund	**–**	**–**	**–**	**–**	**7,205**	**–**	**(7,219)**	**(14)**	**–**	**(14)**
At 30 September 2016 (unaudited)	**475,031**	**4,031,177**	**(3,775,606)**	**27,108**	**27,533**	**3,032**	**(9,651)**	**778,624**	**102,194**	**880,818**

Notes:

(a) Other reserve of the Group mainly represents the financial impact of adopting merger accounting for the acquisition of UHL and its subsidiaries and 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	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash from operating activities	**92,029**	159,372
Net cash (used in) from investing activities	**(59,970)**	87,730
Net cash used in financing activities	**(23,306)**	(182,428)
Net increase in cash and cash equivalents	**8,753**	64,674
Cash and cash equivalents at 1 April	**61,129**	26,064
Effect of foreign exchange rate changes, net	**408**	558
Cash and cash equivalents at 30 September	**70,290**	91,296

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 RMB4,957,000 for the six months ended 30 September 2016 (for the six months ended 30 September 2015: RMB20,059,000) and as at 30 September 2016 the Group had net current liabilities of approximately RMB111,704,000 (As at 31 March 2016: RMB115,353,000).

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 2016, 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 14	*Regulatory Deferral Accounts;*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations;*
Amendments to HKAS 1	*Disclosure Initiative;*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation;*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle;*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants;*
Amendments to HKAS 27	*Equity Method in Separate Financial Statements; and*
Amendments to HKFRS 10, HKFRS12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception.*

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

	Six months ended 30 September	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The Group's turnover includes:		
Gross proceeds from oil and gas sales contracts *(note)*	**2,486,728**	1,316,239
Revenue from sales of goods		
– Wholesale of LNG	**1,247,894**	1,317,831
– Vehicle gas refuelling stations	**4,484**	7,631
– Sales of piped gas	**76,265**	100,101
Revenue from provision of services		
– LNG transportation	**6,187**	7,707
– Construction of gas pipeline infrastructure	**–**	526
	3,821,558	2,750,035

Note: The net income from oil and gas contracts for the period is RMB13,477,000 (six months ended 30 September 2015: RMB4,046,000) which is derived from the gross proceeds from oil and gas sales contracts of RMB2,486,728,000 (six months ended 30 September 2015: RMB1,316,239,000) minus the gross amounts of oil and gas purchase contracts of RMB2,473,251,000 (six months ended 30 September 2015: RMB1,312,193,000).

4. OPERATING COSTS

	Six months ended 30 September	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The Group's operating costs includes:		
Gross amount from oil and gas purchase contracts	**2,473,251**	1,312,193
Cost of sales of goods	**1,308,443**	1,379,009
Cost of provision of services	**11,565**	13,301
	3,793,259	2,704,503

5. OTHER INCOME

	Six months ended 30 September	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from:		
– banks	**1,272**	2,506
– a non-controlling equity owner of subsidiaries	**–**	1,309
– a former equity owner of subsidiaries	**–**	1,647
– long-term receivables	**–**	16,091
– advances to suppliers	**12,803**	17,187
	14,075	38,740
Impairment loss reversed in respect of a receivable	**11,930**	11,930
Others	**–**	908
	26,005	51,578

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, the directors of the Company, for the purposes of resource allocation and assessment of performance. The accounting policies of the reportable segments are the same as the Group's accounting policies. The Group's operating and reportable segments under HKFRS 8 Operating Segments are as follows:

Production and sales of Liquefied natural gas("LNG")	Wholesale of LNG
Oil and gas transactions	Trading of oil and gas products (by entering into oil and gas sales and purchase contracts) and provision of consultancy services in relation to such 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 2016

	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	**1,247,894**	**2,486,728**	**86,936**	**3,821,558**
Inter-segment turnover	**7,345**	**–**	**–**	**7,345**
Segment turnover	**1,255,239**	**2,486,728**	**86,936**	**3,828,903**
Elimination				**(7,345)**
Total turnover				**3,821,558**
Segment results	**543**	**12,561**	**(3,284)**	**9,820**
Interest income				**14,075**
Share of result of associates				**(1,899)**
Finance costs				**(20,807)**
Unallocated corporate expenses				**(280)**
Profit before taxation				**909**

For the six months ended 30 September 2015

	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	1,317,831	1,316,239	115,965	2,750,035
Inter-segment turnover	6,441	–	–	6,441
Segment turnover	1,324,272	1,316,239	115,965	2,756,476
Elimination				(6,441)
Total turnover				2,750,035
Segment results	(10,818)	2,083	9,902	1,167
Interest income				38,740
Share of result of associates				(2,915)
Finance costs				(17,802)
Unallocated corporate expenses				(3,154)
Profit before taxation				16,036

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 location of customers irrespective of the origin of the goods delivered or services rendered and the Group's non-current assets by geographical location of the assets:

	Turnover							
	Production and sales of LNG		Oil and gas transactions		Other operations		Non-current assets*	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		As at 30 September	As at 31 March
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
The PRC, other than Hong Kong	**1,247,894**	1,317,831	**112,361**	60,657	**86,936**	115,965	**1,019,109**	1,053,097
Singapore	**–**	–	**2,374,367**	1,255,518	**–**	–	**–**	–
Hong Kong	**–**	–	**–**	64	**–**	–	**181**	227
	1,247,894	1,317,831	**2,486,728**	1,316,239	**86,936**	115,965	**1,019,290**	1,053,324

* Non-current assets exclude long-term receivables and deferred tax assets.

7. PROFIT BEFORE TAXATION

	Six months ended 30 September	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of intangible assets	**197**	590
Amortisation of prepaid lease payments	**858**	1,431
Cost of inventories recognised as an expense	**342,201**	304,856
Depreciation of property, plant and equipment	**30,566**	32,009
Directors' emoluments	**1,817**	1,732
Operating lease payment in respect of office premises	**1,282**	1,011
Salaries and other benefits	**20,993**	23,245
Retirement benefits contributions	**2,845**	3,298
Total staff costs (excluding directors' emoluments)	**23,838**	26,543
Losses on disposal of property, plant and equipment	**–**	(59)
Exchange gain (loss)	**698**	(349)
Gain on fair value change of embedded derivatives	**4,165**	–
Other gains (losses)	**4,863**	(408)

8. INCOME TAX CREDIT (EXPENSE)

	Six months ended 30 September	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
The credit (charge) comprises:		
Current taxation		
Hong Kong	**(652)**	(152)
PRC Enterprise Income Tax ("EIT")	**(3,635)**	(18,392)
	(4,287)	(18,544)
Deferred taxation		
Current year	**5,197**	8,544
Overprovision in prior years	**–**	(45)
	5,197	8,499
	910	(10,045)

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.

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.

Xingxing Energy and Huixin Energy were registered with the local tax authority to be eligible to the reduced 15% enterprise income tax rate from 2013 to 2020 and 2012 to 2020 respectively. Accordingly, Xingxing Energy and Huixin Energy are eligible for the EIT of 15% in 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.

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 2016 is based on the profit attributable to owners of the Company of approximately RMB4,957,000 (for the six months ended 30 September 2015: approximately RMB20,059,000) and the weighted average number of 5,683,635,248 (as at 30 September 2015: 5,302,801,915) ordinary shares in issue during the period.

The computation of diluted earnings per share for the six months ended 30 September 2016 does not assume the conversion of the Company's outstanding convertible bond since their exercise would not result in a decrease in earnings per share.

Diluted earnings per share was not presented for the six months ended 30 September 2015 as the Company does not have any potential ordinary shares during that period.

11. TRADE AND OTHER RECEIVABLES

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 2016 *RMB'000* **(Unaudited)**	As at 31 March 2016 *RMB'000* (Audited)
Within 30 days	**681,160**	187,208
31 – 90 days	**183,887**	2,435
91 – 180 days	**–**	733,548
>180 days	**9,574**	15,417
	874,621	938,608

12. TRADE AND OTHER PAYABLES

Trade payables arisen from oil and gas purchase contracts which are granted by suppliers with an average credit period ranging from seven days to six months after the bills of lading date of delivery, and trade payables arisen from production and sales of LNG which are granted by suppliers with an average credit period ranging from 30 days to 90 days after the 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 2016 *RMB'000* **(Unaudited)**	As at 31 March 2016 *RMB'000* (Audited)
Within 90 days	**858,003**	849,749
91–180 days	**6,483**	7,040
181–365 days	**373**	5,050
Over 1 years	**7,962**	4,252
	872,821	866,091

13. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately RMB3,140,000 (for the six months ended 30 September 2015: approximately RMB11,022,000) 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 RMB85 million (for the six months ended 30 September 2015: approximately RMB392 million). The loans carry interest at fixed/variable market rates of 3.73%–7.20% 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 RMB83 million (for the six months ended 30 September 2015: approximately RMB608 million).

15. SHARE CAPITAL

	Number of shares *'000* (Unaudited)	**Share capital** *RMB'000* (Unaudited)
THE COMPANY		
Ordinary shares, issued and fully paid:		
At 1 April 2016 and 30 September 2016, shares of HK$0.10 each	5,683,635	475,031

16. RELATED PARTIES TRANSACTIONS

During the six months ended 30 September 2016, the Group entered into the following transactions with related parties:

	Six months ended 30 September	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of oil and gas contract to related parties	**–**	14,758
Sales of LNG to related parties	**26,601**	302,475
Sales of LNG to an associate	**–**	846
Purchase of oil and gas contract from related parties	**11,329**	14,694
Purchase of LNG from related parties	**142,397**	315,301
Purchase of LNG from an associate	**42,371**	75,729
Services provided to a related party	**515**	899
Interest income from a related party	**–**	16,091

	As at	As at
	30 September	31 March
	2016	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Guarantee given by related parties in respect of bank borrowing and banking facilities granted to the Group		
– Mr. Wang	**900,000**	900,000

DIVIDEND

The Board of Directors have resolved not to declare an interim dividend for the six months ended 30 September 2016 (for the six months ended 30 September 2015: nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

BUSINESS REVIEW

Group results

During the period from 1 April 2016 to 30 September 2016 (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 RMB3,822 million (six months ended 30 September 2015: approximately RMB2,750 million) with profit after tax of approximately RMB2 million (six months ended 30 September 2015: approximately RMB6 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 210,718,000 cubic meters of LNG, representing an increase of approximately 95,300,000 cubic meters or 82.6% compared with the same period of last year. The turnover from the sales of LNG business for the Period was approximately RMB1,248 million, representing a decrease of approximately RMB70 million or 5.3% compared with the same period of last year, contributing approximately 32.7% of the total turnover of the Group. Moreover, gross profit decreased by approximately RMB19 million to approximately RMB10 million (six months ended 30 September 2015: approximately RMB29 million), with gross profit margin fell from approximately 2.2% to approximately 0.8%.

The decrease in the selling price of LNG and squeeze in the gross profit margin was predominantly due to (1) slowdown in natural gas demand growth due to a slowdown in China's economic growth since 2014, the transformation of the economic structure and the deceleration of industrial and power generation gas consumption and; (2) the loss of economic advantages of domestic LNG due to the continuous unfavourable prices of the international oil and gas. Furthermore, the decrease in the cost of the alternative source of energy and the dis-alignment on the price adjustment between the natural gas suppliers and the market users have caused significant challenges to the Group in costs transferring placing pressure on the Group's products' selling price and volume. The Group's Sichuan based LNG plant, in this regard, reported gross loss for the first time for the past off peak season. Notwithstanding, the management has carried out a series of efforts to reduce cost and increase efficiency, which aim to improve the profitability of the processing plants in a short term and to enhance the core competitiveness.

Oil and gas transactions

During the Period, revenue arising from oil and gas transactions increased to approximately RMB2,487 million from approximately RMB1,316 million, representing a increase of approximately RMB1,171 million or 88.9% from the six month ended 30 September 2015. Meanwhile, gross profit increased from approximately RMB4 million to approximately RMB13 million, with gross profit margin increased from approximately 0.31% to approximately 0.54%. As a result of management effort in cost savings and wider/expanded trading network. To strengthen the Group's trading business, the management is seeking to formulate strategic cooperation with globally-renowned oil and gas suppliers.

Given the volatility of 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

During the first half of the year, the Group's business was affected by adverse market conditions in the oil and gas industry as described in the previous sections. It is expected that although the domestic natural gas market is currently in an over supply position during the transitional gas users adjustment period, the policy of the Chinese government to adjust the overall energy structure and to increase the use of natural gas is clear in a long run, and the prospect of the natural gas industry remains favourable.

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

FINANCIAL REVIEW

Turnover

The Group's turnover for the period ended 30 September 2016 was approximately RMB3,822 million (Six months ended 30 September 2015: approximately RMB2,750 million). The increase in turnover was mainly attributable to the increase in revenue from the oil and gas transaction which reported a turnover of approximately RMB2,487 million during the Period (six months ended 30 September 2015: approximately RMB1,316 million).

Gross Profit

Gross profit for the period ended 30 September 2016 was approximately RMB28 million. The decrease in gross profit was primarily due to the decrease in the cost of the alternative source of energy and the dis-alignment on the price adjustment between the natural gas suppliers and the market users have caused significant challenges to the Group in costs transferring, placing pressure on the Group's products' selling price and volume. The Group's gross profit margin for the six months ended 30 September 2016 decreased from approximately 1.7% (six months ended 30 September 2015) to approximately 0.7%.

Administrative Expenses

The Group's administrative expenses for the period ended 30 September 2016 amounted to approximately RMB31 million, representing a decrease of approximately 44.2% as compared to the corresponding figures last period. The decrease was due to the suspension of LNG production plant resulted from change of gas sources from upstream supplier in last period which part of the fixed production costs (i.e. labour salaries and deprecation etc.) were treated as administrative expenses in that suspension period.

Finance Costs

The Group incurred finance costs of approximately RMB21 million during the Period (six months ended 30 September 2015: approximately RMB18 million), representing an increase of approximately 16.9%. The increase was mainly due to the interest payment of approximately RMB4 million (six months ended 30 September 2015: nil) on convertible bond during the Period.

Profit for the Period

As a result of the above, the Group recorded profit after tax for the Period for approximately RMB2 million (six months ended 30 September 2015: profit of approximately RMB6 million).

Working Capital Management

As at 30 September 2016, the Group maintained bank balances and cash of approximately RMB70 million (31 March 2016: approximately RMB61 million).

Liquidity, Financial Resources and Capital Structure

The net current liabilities of the Group as at 30 September 2016 were approximately RMB112 million (31 March 2016: approximately RMB115 million). The current ratio was approximately 0.94 (31 March 2016: approximately 0.94).

Notwithstanding the net current liabilities of the Group at 30 September 2016, the management are confident that the Group would have adequate funds to meet its obligation, as and when they fall due, having regard to the following:

(i) the available long-term loan facilities of RMB490 million and RMB37 million with maturity up to August 2018 and May 2022, respectively; and

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

The Group will further improve its financial position in 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 2016, the Group had borrowings of approximately RMB157 million which are due within one year and approximately RMB91 million which are repayable after one year.

The gearing ratio, which is debt-to-equity ratio, of the Group was approximately 0.28 compared to approximately 0.28 as at 31 March 2016.

Capital Expenditure on Property, Plant and Equipment

Capital expenditure for purchase of property, plant and equipment amounted to approximately RMB3 million (six months ended 30 September 2015: approximately RMB11 million) for the Period.

Pledge of Assets

As at 30 September 2016, the Group pledged assets in aggregate amount of approximately RMB749 million (31 March 2016: approximately RMB872 million) to banks for banking facilities.

Capital Commitments

As at 30 September 2016, the capital expenditure commitments in respect of acquisition of property, plant and equipment contracted for but not provided in the financial information was approximately RMB58,000.

Contingent Liabilities

As at 30 September 2016, the Group had contingent liabilities in respect of financial guarantees given by the Group to a bank for a bank loan obtained by an associate of RMB60 million (31 March 2016: RMB60 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 2016, the Group had about 500 employees (31 March 2016: about 550). 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 2016, except for the deviations discussed below.

Code provision A.2.1

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

Mr. Wang Jianqing ("Mr. Wang") is the chairman of the Company since 27 January 2011 and was appointed the CEO of the Company on 15 September 2011. 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 2016 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 2016

As at the date of this announcement, the executive Directors are Mr. Wang Jianqing, Mr. Bao Jun and Mr. Zhou Jian; and the Independent non-executive Directors are Dr. Leung Hoi Ming, Mr. Wong Chi Keung and Mr. Tom Xie.